

# SOCIAL RESEARCH

AN INTERNATIONAL QUARTERLY  
OF POLITICAL AND SOCIAL SCIENCE

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# Social Research

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*January 1954*

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## EXECUTIVE AGREEMENTS UNDER THE BRICKER AMENDMENT

BY THOROLD J. DEYRUP<sup>1</sup>

THE next Congress will have for consideration a major change in our governmental structure, the Bricker Amendment to the Constitution.<sup>2</sup> That proposal, in its present form, as amended and reported to the Senate by the Committee on the Judiciary, declares that "A provision of a treaty which conflicts with this Constitution shall not be of any force or effect" (Section 1); that "A treaty shall become effective as internal law in the United States only through legislation which would be valid in the absence of treaty" (Section 2); that "Congress shall have power to regulate all executive and other agreements with any foreign power or international organization. All such agreements shall be subject to the limitations imposed on treaties by this article" (Section 3); that "The Congress shall have power to enforce this article by appropriate legislation" (Section 4); and that "This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the legislatures of three-fourths of the several States within seven years from the date of its submission" (Section 5).

The concern of this discussion is with the effect of the amendment on "executive and other agreements," which for brevity will be called "executive agreements." The thesis will be that the Bricker Amendment would change the pivotal point of our foreign affairs, and that it would do so not in order to find a better bearing, but to allay a hypothetical legal fear.

An executive agreement is any international accord other than a treaty, that is, other than one made by the President, debated

<sup>1</sup> The author wishes to acknowledge the substantial contributions to this article made by James L. Adler, Jr., of the New York Bar.

<sup>2</sup> Senate Report No. 412, 83rd Congress, 1st Session.

in the Senate, and ratified by two-thirds of the Senators present. It is a catch-all expression, and includes agreements made by the authority of the Executive Branch alone, and also the many international agreements that are authorized by Act of Congress or by the provisions of a treaty but are not ratified by the two-thirds Senate vote.

Primarily we are concerned with new controls of the content of executive agreements, for some Congressional controls already exist. Congress has the obvious right to the last word regarding any executive agreement which requires appropriations for its operation. Also, Congress has in the past exercised the authority to place advance limitations on the content of specific agreements or classes of agreements. In addition, Congress is said to have the power to abrogate or denounce any particular executive agreement which it has not specifically authorized. And finally, an intermediate federal court has held that an executive agreement inconsistent with an Act of Congress is invalid.<sup>3</sup>

These existing controls have been applied, or are available, on an ad hoc basis. The most significant novelty in the proposed new controls is their generality. In evaluating these controls we shall want to consider the part that the executive agreement, as a device, plays in our foreign affairs; its legal status; the changes that would be made if the amendment were adopted; and finally, what, if anything, ought to be done about executive agreements.

#### *Functions of the Executive Agreement*

Our relations with our neighbors in the world are governed by force, fear, and mutual agreement. It has always been so, and will continue to be until there is an effective world organization—a prospect not now in sight. In this posture of affairs, our concern is with the device of mutual agreements. These are either treaties or executive agreements, as they are broadly defined in this article.

The relative frequency of treaties and executive agreements may

<sup>3</sup> *United States v. Guy W. Capps, Inc.*, 204 F. 2d 655 (1953).

be judged, in part, by the number of pamphlets or leaflets published by the State Department, each of which contains one treaty or executive agreement. By this count there have been 1,345 executive agreements and 282 treaties since 1928.<sup>4</sup> No doubt the difference in number would be even greater if the State Department included in its leaflets and pamphlets everything that we deal with in this article as an executive agreement, or that would be prohibited or controlled by the proposed new measures, for here the term covers all international agreements other than treaties; some of these may even be oral, and some may not be printed because they relate to matters that are of transitory nature and minor importance.

Importance is relative, of course, depending on the point of view, the time, and the economic, political, military, or moral interests involved. Executive agreements control not only matters which anyone would concede are important, such as some of our arrangements with Russia (the Litvinov Assignment, for example), but also less important concerns, such as the order of precedence among our diplomatic representatives at formal social functions. Many of these apparently minor matters, seeming hardly worth the time and trouble of the personnel involved, turn out on reflection to be significant. For example, whether soft drinks at a post exchange at a leased base abroad must bear some local impost is hardly of appreciable economic importance; but in the case of this particular group of purchasers even a trifling contribution to their sense of wellbeing has a significance far beyond the actual money involved.

The military system is so much of a unit that it would be hard to say which of the many executive agreements affecting its operations are the most significant. So many of its arrangements depend on executive agreements that some of the most earnest argument against tampering with this device has come from the Department

<sup>4</sup> State Department, Office of the Legal Adviser, Treaty Affairs, *Memorandum Relating to the Making of Treaties and International Agreements other than Treaties* (February 20, 1952).

of Defense. An earlier proposal by Senator Bricker to limit executive agreements was criticized as follows by Charles A. Coolidge, Assistant Secretary of Defense (in a letter dated June 11, 1952, to Senator Pat McCarran, Chairman of the Senate Committee on the Judiciary): "This section, more than any other, could cause extensive harm to our defense program. Consider those executive agreements which give the United States base rights around the world. Everyone knows how essential these are to our security. They have been obtained through long and difficult negotiations, and in a few cases for a substantial consideration."

Most international agreements, treaties as well as executive agreements, are at their inception indeterminate in form. If one goes far enough back into the history of such an arrangement, there will be a point where the naked eye can find no indicia of species. Will this new arrival, when full-fledged, be an executive agreement or a treaty?

For some kinds of arrangements the form can readily be predicted by reference to the subject matter. After a shooting war we have always had, sooner or later, a treaty with any of our antagonists which survived as nations. Postal conventions, on the other hand, have up to now taken the form of executive agreements. To these instances, which illustrate the effect of past practice on form, we may add those in which Congress predetermines the form by providing that an accord is to be made by the President, as is frequently done in reciprocal tariff arrangements. But the total effect of past practice and specific statutes does not make more than the scantiest of patterns, and for the great majority of international accords it would not be possible to predict in advance the species to which they would definitely belong.

This may not be logical, but the business of the government has to go on whether logically organized or not, and so both kinds of arrangements continue to be made, without any positive control to determine their respective appropriate spheres. When we examine the part of this intertwined network that is formed by

executive agreements, it is evident that such agreements are multifarious, diverse in subject matter, and highly variant in degree of individual importance. Taken collectively, and speaking only of practical considerations, they are indispensable. That is a flat statement, but it is supported by those who have practical knowledge of foreign affairs, and is now conceded by the advocates of new controls.

#### *The Legal Materials*

Thus our governmental practices do not recognize any defined sphere for executive agreements, nor is there any pattern of procedure which can be said to be the recognized method of effecting such an accord. What, then, is to be said of the law of executive agreements? The first thing to look for is some acceptable source of legal rules.

To follow the professional procedure appropriate to such an inquiry, we turn first to the Constitution, whose most significant feature for the purpose in hand is its silence. Some say that the Constitution recognizes the existence of international accords other than treaties.<sup>5</sup> Be that as it may, its pertinence is questionable, for the use of executive agreements to perform the office of treaties can hardly be defended merely on the ground that the Framers were aware of forms of agreement other than treaties. Their silence as to those forms could mean either that the continued use of them was sanctioned, or—with equal cogency—that it was intended to have the entire matter of international accords covered under the treaty-making power.

The next conventional source of legal rules, the legislative acts, yields results that are equally inconclusive, for Congress has never made a generally applicable definition either of the permissible content of such agreements or of the procedural requirements to be observed in accomplishing them. In many instances Congress has recognized executive agreements by making appropriations;

<sup>5</sup> Philip B. Perlman, "On Amending the Treaty Power," in *Columbia Law Review*, vol. 52 (1952) pp. 826, 857.

and the statutes also contain numerous examples of Congressional assumption that an executive agreement is a proper method of binding our country—for example, in reciprocal trade agreements. But in by far the greater number of instances neither advance authorization nor subsequent implementation has taken place. It is generally supposed that by statute or resolution Congress could denounce a specific executive agreement (although it has never done so);<sup>6</sup> and by not interfering Congress has undoubtedly given tacit approval to the extensive use of the device. But outside the field of statutory construction (a matter not here involved), silence on the part of Congress is not a recognized source of law. For our problem, therefore, the silence of Congress has great practical importance but no legal significance.

Turning to our most prolific source of legal material—the judicial decisions—we seem to perceive at least one proposition of law: that an executive agreement can supersede state law. This point is said to have been established by the decisions of the Supreme Court concerning the executive agreement called the Litvinov Assignment, as set forth in *United States v. Belmont*, 301 U.S. 328 (1939) and *United States v. Pink*, 315 U.S. 203 (1942). The principles there announced by Mr. Justice Sutherland give a first promise of establishing for executive agreements a definite legal status as part of the supreme law of the land—a status somewhat like that of treaties under the Supremacy Clause. Actually, however, the holding of the Court was in a narrowly limited class of cases, as it involved a judicially established rule that the New York courts would not recognize a confiscatory decree as affecting property in the state of New York. Under the Litvinov Assignment the United States stood in the position of the Soviet government, as claimant to the property in question, and an official of New York State stood in the position of the nonresident aliens who claimed the assets. The Supreme Court sustained the claim of the United States.

<sup>6</sup> Arthur E. Sutherland, Jr., "Restricting the Treaty Power," in *Harvard Law Review*, vol. 65 (1952) p. 247.

Much as one might wish to find in this litigation a precedent establishing the legal status of executive agreements, it represents rather the demarcation of the power of a state to project its doctrine of fairness in such manner as to determine rights between alien entities growing out of events that occurred abroad. The infirmity of the New York rule, as the state sought to apply it, was not conflict with national law, but absence of state power. The Litvinov Assignment gave the United States an opportunity to be a party to the suit, but was not held to be applicable supreme law.

An important and frequently exercised governmental power which cannot be attributed to constitutional provisions, to statutory provisions, or to judicial decisions may be thought to have a somewhat unsatisfactory legal aspect. But lawyers and judges have not, until the present controversy, questioned the power or the legality of executive agreements as such; and even now those who propose new controls do not offer the suggestion that the power itself is in doubt. On both sides of the controversy it is recognized that the power to make at least some executive agreements exists, and that there is no need for any new provision granting such power.

Executive agreements, then, rest on no analyzable legal basis, and there is no available body of principle to indicate that a particular agreement is, or is not, one that could with legal propriety take the form of an executive agreement. Historically, there are some areas in which executive agreements have been used repeatedly, but those areas are not the exclusive domain of such agreements; and past practices have not been so uniform as to create a pattern that could be invoked to sanction or to condemn a proposal.

The conclusion that there is no law on the subject does not mean that there is no control. In all our experience to date there has been no strong feeling, until the present controversy, that the treaty-making clause has been evaded. No President ever effected by executive agreement an accord which, as a proposed treaty, had

been rejected by the Senate. One would have to go back to McKinley to find an executive agreement where there is any evidence that if the arrangement had been submitted to the Senate as a treaty it would not have been approved.<sup>7</sup> And certainly if there were not effective controls there would have been many instances in which the Senate was bypassed, for that body has often turned down proposed treaties that were earnestly desired by the Executive. Even the most ardent advocates of new forms of control do not assert that the treaty clause has been evaded in the past; their fear is that it may be evaded in the future if they are successful in restricting the treaty-making power, for this would provide a sufficient incentive for evasion.

What is it that controls the content of executive agreements? The answer is simple: political considerations. It is because of political considerations that treaties and executive agreements (whether or not approved by Congress) are not interchangeable instruments of national policy; that executive agreements have not been used "in lieu of treaties"; that the Senatorial power in foreign affairs has not become a vermiform appendix; that the opportunity has been preserved for the Senate to be, when it chooses, the graveyard of treaties.

To determine the precise nature of these controls, how they operate and how they have been adapted to the changes of a hundred and fifty years, is the task of a political scientist.<sup>8</sup> But for purposes of the matter in hand we can adequately define these controlling political considerations: they are forces that lie outside the province of lawyers—forces with which the courts refuse to interfere.<sup>9</sup> Their essential characteristic is that they defy legal analysis and evaluation.

<sup>7</sup> Myres S. McDougal and Asher Lans, "Treaties and Congressional-Executive Agreements or Presidential Agreements: Interchangeable Instruments of National Policy," in *Yale Law Journal*, vol. 54 (1945) p. 266.

<sup>8</sup> Chafee, who is certainly an authority on the applicable legal material, such as it is, turns to Dicey for the point; see Zechariah Chafee, Jr., "Federal and State Powers under the U.N. Covenant on Human Rights," in *Wisconsin Law Review* (1951) pp. 389, 443.

<sup>9</sup> *Oetjen v. Central Leather Co.*, 246 U.S. 297, 302 (1918).

The current plans for amendment are lawyers' proposals. They represent an attempt to bring the field of executive agreements into the domain of legal regulation at one stroke. By and large, those who advocate the changes are men of standing and experience in their profession. But their skill and learning cannot have been developed in the field in question, which from the start of our republic has existed virtually without benefit of Constitution, statute, judge, or lawyer.

#### *The Proposed Changes*

The first two sections of the Bricker Amendment refer specifically to treaties, and the general scheme of control that they provide for is made in Section 3 to apply to executive agreements.

Section 1 would not change the constitutional status of executive agreements, unless it can be supposed that because this one device of government is not elsewhere specifically restricted, it is unrestricted. The Supreme Court has never had occasion to pass on the question, "Can an executive agreement be unconstitutional but valid?" The Court has said of the power of the President in this field that "like every other governmental power, it must be exercised in subordination to the applicable provisions of the Constitution."<sup>10</sup> This was a dictum, however, not a holding, and so long as there is no holding it is theoretically possible for some court to hold that this is that philosophical anomaly, a wholly unlimited power. But to most of us, lawyers and laymen alike, it must seem odd, as President Eisenhower once remarked, to amend the Constitution to provide that something unconstitutional shall not be done.

Section 2, which requires Congressional legislation to give effect to agreements as "internal law," would change the legal status of executive agreements. What the change would be is not, however, entirely clear. It depends on the construction given to the phrase "internal law." The phrase suggests that this is a recognized branch of law—a defined area like criminal law, corporation law,

<sup>10</sup> *United States v. Curtiss-Wright Export Corp.*, 299 U.S. 304, 320 (1936).

or the law of internal revenue. But there is not, in fact, such a separate branch of law. Rather, "internal law" arises from a conceptual dichotomy, seemingly owing its currency to Bentham, between affairs ruled by international law and affairs not ruled by international law.<sup>11</sup> Such a concept of "internal law," while perhaps useful for certain philosophical processes, would hardly prove a practical test of legality. Customs arrangements, import restrictions, currency control, and even blockades are forms of international action that affect internal concerns; in this respect they are like many, or perhaps most, executive agreements. For generations such arrangements have been recognized by the courts and have been given effect in determining the right of parties. To a litigant who lost, it would be cold comfort to say that his claim or defense was no longer valid because it fell on the wrong side of the line drawn by Bentham in 1780.

If the intended effects of Section 2 are not so clear as might be desired in the case of a constitutional amendment, at any rate the antidote to the confusion is plainly marked: legislation by Congress. And in view of the number of executive agreements that might need to be recognized internally, a most considerable volume of legislation might be expected. To the extent that Section 2 lacks clarity, that part of its effect which is most relevant here is that it would, of necessity, greatly increase the participation of Congress in foreign affairs.

There is no obscurity in the wording of Section 3, which is aimed solely at executive agreements. That section, in explicit and indubitable terms, would give the power of control over the content of executive agreements to Congress. The change is radical, for it goes to the very root of the power over foreign affairs, the government's capacity to agree with other governments.

To be sure, Congress might elect not to exercise the new power, and perhaps it could then be said that for practical purposes the foreign affairs power had remained unchanged. But it seems illogical to empower Congress to regulate executive agreements

<sup>11</sup> Jeremy Bentham, *Morals and Legislation* (London 1892) p. 326.

unless it is considered desirable that such power be exercised. Furthermore, a power given is likely to be used; and it is apparent that at least some of the amendment's backers do not mean to have the power lie idle. "There should be a code of executive agreements adopted just like a code of anything else."<sup>12</sup>

That the use of the principal tool by which our foreign affairs are carried on should be regulated by code is a startling idea. That such an idea has gained a substantial amount of support is startling, too. Let us try to see how this came about.

#### *The Movement for Constitutional Amendment*

To understand how the demand for new controls of executive agreements has developed, it is necessary to turn to another part of the problem of our external relations. The controversy over the treaty-making power is of very recent origin, although the power has not been altered in any respect recently. In 1920 the Supreme Court decided a case which, although it did not lay down a new principle, made clear and unmistakable the application of an old one. Congress had enacted a conservation law to protect migratory birds, and the law had been held unconstitutional by lower federal courts. Thereafter the United States entered into a conservation treaty with Great Britain, and pursuant to the treaty a new federal conservation law was passed. A certain game warden, Holland, threatened to enforce the new law, and the state of Missouri sued to enjoin him, on the ground that no power to protect migratory birds had ever been delegated to the United States, and therefore all such powers were reserved to the states under the Tenth Amendment. The Supreme Court held, however, that since there was no constitutional prohibition against making a conservation treaty, and since the law enacted was a necessary and proper means of carrying the treaty into effect, the law was constitutional.<sup>13</sup>

<sup>12</sup> Frank E. Holman, formerly President of the American Bar Association, testifying before the subcommittee of the Senate Judiciary Committee (*Hearings*, p. 73).

<sup>13</sup> *Missouri v. Holland*, 252 U.S. 416 (1920).

This migratory-bird case stands for the principle around which the whole treaty-making controversy revolves, but its effect was not felt until almost thirty years later, when the United Nations' Covenant on Human Rights and the Genocide Convention were presented to Congress for ratification. As the proponents of the various amendments see it, the question is whether or not we shall close an old loophole in the Constitution. No one was much exercised when federal protection of migratory birds entered through that loophole; but to have international, or even federal, control of genocide enter in the same way is, according to these advocates, frightening. To opponents of the proposed amendments, on the other hand, the issue is whether we should deprive our country of a portion of the power to deal with foreign affairs which has been recognized since the beginning: whether we should create a vacuum in which the national government could not operate because of constitutional limitations, and the states could not operate because of the practical difficulty of obtaining unanimity.

We are concerned here not with the merits of the controversy but with its existence and antecedents, which are pertinent to the problem of legal controls of executive agreements. The essential feature of the controversy is that it is not on the level of experience, but on that of legal prophecy. This demand for constitutional limitation has not resulted from any past malfunctioning of executive agreements or of treaties. The argument for amendment is not based on lay experience, or even on lay motivation. True, the opposition to the Genocide Convention can be attributed in large part to a well-understood political attitude, isolationism. But that attitude does not explain the moving force behind the amendment efforts, for the genocide pact has at present no apparent prospect of ratification, and this in itself should tend to allay fears of foreign entanglements.

It is thus a paradox that although the Convention will probably not be ratified, fifty-nine Senators (nearly twice the maximum number necessary to defeat a treaty) have joined in sponsoring

such a constitutional amendment as that proposed by Senator Bricker. The explanation lies in the fact that this proposal—unlike almost every other controversial legislative plan—owes its origin and momentum to the force of a legal hypothesis, not widely held even among members of the bar, but adhered to by an active and earnest few. Because it is deductively derived, the hypothesis is not subject to practical considerations, and paradoxical results are to be expected. The start of the whole movement has been described thus by one of its founders: "More than a year prior to my election to the Presidency of the American Bar Association in September 1948, I concluded that among the most important issues facing the American people were the legal and constitutional issues involved in these so-called 'International Bill of Rights' proposals. The Bar and the people and the press seemed strangely unaware of the grave and far-reaching nature of these issues. Therefore, I felt it my duty as President of the American Bar Association to discuss and analyze the so-called 'Declaration on Human Rights' and the proposed 'Covenant on Human Rights' and later the 'Genocide Convention.'"<sup>14</sup>

Because this is a lawyers' crusade it exhibits aspects peculiar to the legal point of view. It is doubtful that a layman familiar with the operations of our State Department would consider it practical to spell out restrictions on the content and making of "agreements other than treaties," since historically the non-treaty agreements have taken so many diverse forms and have been used for so many different purposes. But to the legal mind, an executive agreement is from the functional standpoint a treaty if it can perform the office of a treaty so far as any legal rule is concerned. And to such a mind, to regulate treaties without regulating executive agreements is poor draftsmanship, legally unsound, and an invitation to the evader.

It is this attitude that is significant. The proponents of new

<sup>14</sup> Frank E. Holman, "Dangers of 'Treaty Law': A Constitutional Amendment the Only Answer," address delivered at the Annual Encampment of the Department of Washington, Veterans of Foreign Wars (Yakima, Washington, July 10, 1952).

controls are not ignorant of the facts of our foreign-affairs operations. They see a danger in treaties which might be drawn up in the future; and with respect to executive agreements, no facts concerning past or present uses seem to them material if one legal question can be answered in the affirmative: can an executive agreement legally be used in place of a treaty? If it can, then the hypothetical Executive evader has a readymade loophole, and this loophole must be closed irrespective of any practical considerations.

There is also a political factor which makes it expedient for the advocates of a constitutional amendment to include executive agreements, along with treaties, under the proposed controls. Our greatest recent disappointment in the field of foreign affairs has been the failure of our hopes for an arrangement which would enable us to get along with Russia. Regardless of the real causes of that failure, it is easily associated with the executive agreements made at the close of the war. Those agreements can be held up as glaring examples of the need for controls, and the fact that some of the terms were kept secret can be cited as additional evidence of the dangers inherent in executive agreements. This charge of guilt by association may not be a very logical argument, but it is hard to rebut, and it affords an issue having a concrete appeal which the treaty proposal by itself lacks. The emotional power of that appeal may be judged by the recent failure of the new administration to obtain approval of a denunciation of secret agreements that was moderate rather than extreme in its general tone.

It would be an oversimplification to assume that the entire group of adherents to the proposed changes are motivated exclusively by one or both of the considerations described above. Some supporters, for example, undoubtedly fear and suspect Executive encroachment on the power of Congress and on private rights. That fear, however, is probably not a controlling factor, for if it were, the change in administration would presumably have decreased some of the impetus behind the proposed amendments;

one would also expect to see signs of a falling off of partisan support. No such signs have so far become manifest, and although President Eisenhower himself is quoted as not favoring the general constitutional amendment,<sup>15</sup> the original proponents are still urging it with approximately the same vigor as before. Thus the indication is that as to executive agreements the theoretical need for closing a possible loophole, and the political advantage to be derived for the treaty proposals by attacking executive agreements as such are still controlling forces.

#### *A Program*

It is undoubtedly clear that the present writer is opposed to any attempt to establish a law of executive agreements. Nevertheless it cannot be disputed that executive agreements have become a problem. Any important power that has no legally defined extent becomes a problem as soon as its existence is recognized. It is not a complete answer to say that up to now we have got along pretty well in making international agreements, and that the critical international situation demands some device of this kind. To be sure, these facts mean that we should take no step from which we cannot speedily retreat, and that if we had to choose today between no control and control by constitutional amendment, the choice of no control would be more in line with political reality. But those are not our alternatives; the facts do not mean that no step of any sort should be taken.

If we assume, then, that something should be done—and that since we do not know all the answers what we do may or may not be the best solution—the question arises whether it should be done by statute. If this solution is taken we can at least recover our position with relative speed if the step turns out to have been in the wrong direction.

There is no provision in the Constitution which clearly gives Congress the power to enact legislation affecting executive agree-

<sup>15</sup> The Administration has offered its own proposal, the Knowland Amendment; this proposal would have no effect on executive agreements.

ments. Theoretical considerations on the separation of powers do not provide an answer, because that doctrine has never been so consistently followed to its logical conclusion as to make it a legally adequate test for determining questions of power. The "Necessary and Proper" clause of the Constitution (Article 1, Section 8) almost covers the point, in allocating to Congress the power to make all laws that are necessary and proper for executing the powers vested in the government, its departments and officers; but the language seems to contemplate auxiliary, rather than regulatory, action. To date no court has passed on the point. Attorney General Brownell and Secretary of State Dulles, both eminent lawyers, seem to hold different views on this subject.<sup>16</sup>

The proponents of the Bricker Amendment can honestly claim this for the proposal: it would settle a doubtful question of law. To settle such a question is a good thing; but is it such a good thing as to justify reallocating to Congress the ultimate power over foreign affairs? Historically, as we have seen, Congress has been able on occasion to act on executive agreements, at least by way of a check. The extent of this legislative control has been, relatively speaking, tiny. But such control has been exercised almost from the beginning, and even though its constitutional basis is not clear, it has never been successfully attacked.

Moreover, in conceding that the constitutional basis of such legislation is not clear, one does not admit the necessity for an amendment to clarify the matter. There are many doubtful points of constitutional law, and it is neither feasible nor desirable to use the amendment process to clear them up.

In addition, this is an area where too much clarity would not be desirable. Some agency of our government has to take the immediate responsibility for the management of foreign affairs. Whether we like it or not, there has to be a good deal of latitude, largely because the process is one of bargaining. Perhaps there

<sup>16</sup> Testifying before the subcommittee of the Senate Judiciary Committee, the Attorney General stated that Congress has the power (*Hearings*, p. 932); Secretary Dulles stated that Congress does not have the power (p. 892).

has to be an occasional check on that agency, such as Congress has from time to time supplied. But what is there to act as a damper on irresponsible interference? As between two branches of government, a reasonable amount of uncertainty regarding the power of one over the other helps to limit interference to those situations that really need correction.

Is there now such a situation? In much of the discussion of executive agreements the question of the precise objective of control has been lost from sight. Those who oppose any form of control are of course not concerned with particular objectives; neither are those who are worried about the general possibility that executive agreements might be used to evade new constitutional limitations on the treaty power. The real difficulty seems to be that we do not have much experience on which to base conclusions concerning the need for specific remedies.

One fear that is frequently voiced is that the Senate's specific constitutional function in the field of foreign affairs will become a dead letter, and that the method of executive agreement will entirely supplant the treaty method. Some persons, while granting that many useful things have been accomplished by executive agreements, are shocked by the idea that the Senate's treaty-making power may become obsolete through administrative evolution. Others argue that the executive agreement is so superior—in flexibility, ease of operation, and conformity to the principle of majority control <sup>17</sup>—that it really would be best to have the treaty-making power more or less supplanted. But if this power is not to be supplanted, and if executive agreements are not to be abolished, the question of defining their respective appropriate spheres remains with us. Those who advocate change without abolition confess their inability to define the sphere exclusively appropriate to treaties. Those who advocate maintenance of the *status quo* point to advantages of executive agreements in certain circumstances, and at first glance these advantages may seem to define a sphere specifically appropriate to this device.

<sup>17</sup> See McDougal and Lans (cited above, note 7).

Among the advantages attributed to executive agreements as opposed to treaties are facility, speed, and flexibility. A recently expressed view favorable to the unrestricted power to make executive agreements points to their utility in "situations which have arisen in our history . . . which often demanded the expeditious handling they received."<sup>18</sup> In times when international emergencies may be expected from moment to moment, the availability of appropriate emergency power is obviously necessary. But this fact does not form a practical basis on which we can deal with the problem by legislation, for the considerations are wholly relative and to a large extent subjective.

Although the problem of regulating the content of executive agreements, or of defining their appropriate sphere, does not appear to be soluble on an empirical basis, there is a practical objection to abandoning the attempt to deal with it. The attack on executive agreements, while of dubious validity and possibly of illegitimate origin, is not likely to die a natural death on that account. The doubts and fears that have been generated may not be warranted by any real dangers, but they are real enough in themselves, and sufficiently prevalent, not to be dispelled by inaction.

The Yalta, Teheran, and Potsdam agreements, which have provided a good deal of ammunition for the advocates of drastic control of executive agreements, have also supplied a practical test concerning the effects of secrecy. It is apparent that much of the dissatisfaction caused by those agreements resulted from the secrecy of some of their provisions, and the fact that those provisions were kept secret certainly raises the possibility that other secret terms and other secret arrangements exist. These doubts ought to be dispelled, and with a relatively minor change in existing law they could be.

We are already committed to the prompt filing of executive agreements, as well as treaties, with the United Nations.<sup>19</sup> We are

<sup>18</sup> See Perlman (cited above, note 5) pp. 825, 861.

<sup>19</sup> United Nations Charter, Chapter XVI, Article 102.

also committed to publication of executive agreements within the calendar year following their formalization.<sup>20</sup> To add the further requirement that all executive agreements now or hereafter in effect be published within a short and definite period would be only a small additional step. It would help to allay the fear of an indefinite number of secret undertakings of unknown extent. It would also provide some assurance that the opposition party could not be kept in the dark about some irresponsible commitment that might happen to be made.

This may seem a somewhat mild prescription. But since political factors have up to now apparently controlled the power to make executive agreements, and have proved not undependable, a stimulant to those controls might well be tried before we decide on immediate amputation.

#### *A Prediction*

Even the most cautious prophet will make one positive assertion about the weather: it is going to change. In the case of executive agreements we may expect some sort of legislative or constitutional controls to be put into effect. The factors giving weight to this prediction are these:

First, the notion that executive agreements are available as a potential substitute for treaties is only now, for the first time, beginning to be widely disseminated.

Second, the fear that executive agreements may be used in an injudicious fashion is likely to be felt by many members of the party in opposition, and by many others who currently harbor a general distrust of the State Department.

Third, it is going to be necessary to use international agreements much more freely, because of the necessity of joint action both for military and for economic reasons. If executive agreements are not placed under crippling restrictions they are likely to be much used, and with increasing use of any device its flaws are bound to become more apparent.

<sup>20</sup> Tit. 1 U.S. Code, Sec. 112(a), 64 Stat. 980 (1950).

Fourth, international affairs have become a matter of much wider public concern, not only because of their direct effect on economics but also because they are so disturbing psychologically. The devices that we use in carrying on these affairs cannot escape public attention.

If change is in the wind, two things are earnestly to be desired: that the problem of executive agreements will be considered on its separate merits, without being lumped with the different problem of the treaty power; and that some of the talent now being expended on the pros and cons of the proposition, "there ought to be a law," will be directed to the solution of the question, "*what law?*"

## THE NEW MONETARY POLICY

BY SIDNEY WEINTRAUB

THE first few months of the Eisenhower administration witnessed the institution of a monetary policy which, despite certain changes that can be characterized as a retreat, appears to reflect the philosophy of the new regime in this field. The chief architects of the new policy are the Secretary of the Treasury, George S. Humphrey, and his Deputy, W. Randolph Burgess, with the manifest approval of the Chairman of the Board of Governors of the Federal Reserve System, William McC. Martin. Substantially the motivating ideas seem to coincide with views expressed by Mr. Burgess in the past, when he was Chairman of the Executive Committee of the National City Bank of New York.

The new policy did not escape criticism from the Democratic opposition: on April 13, 1953, a group of eight Senators issued a public statement attacking the program, and a month later, on May 10, thirteen members of the House and seven in the Senate introduced a resolution proposing that the new measures be rescinded. But because of their technical nature and their slow-moving incidence, these measures did not arouse any public storm, either in protest or in defense. In early August, however, Mr. Marriner Eccles, in an analysis prepared at the request of Senator Paul Douglas of Illinois, denounced the new monetary policy as unjustified by events and as having led to "the virtual collapse of the government bond market after a five months' trial" (press release dated August 3, 1953, from Senator Douglas' office). At the same time Senator Douglas disassociated himself from the new policy, on the grounds that it errs in a deflationary direction. It will be recalled that Senator Douglas, a professional economist himself, was often at odds with the monetary measures of the Truman administration, arguing that they provided an engine for inflation. A similar attitude led to Mr. Eccles' demotion from his

post as Chairman of the Reserve Board in 1948, and to his ultimate resignation in 1951.

Since the topic is important and the differences of opinion profound, it is desirable to consider the policies announced by the Eisenhower administration and the steps taken to implement them, and also the economic backdrop against which they operate and the developments under them.

#### *Action and Policy Statements*

In his first State of the Union message to Congress on February 2, President Eisenhower declared that monetary policy and debt management would be so designed as, first, to check inflation, and second, to refund the national debt from its substantial short-term nature into a more predominantly long-term form. Voicing his opposition to direct price controls such as those represented by the Office of Price Stabilization, the President declared that the Federal Reserve System would be unfettered in dealing with inflationary phenomena. On the matter of refunding, an effort would be made, despite the greater interest drain on the Treasury, to convert maturing short-term borrowing instruments into longer-term obligations. Both points presaged higher carrying charges on the national debt, with economies to be made elsewhere.

In view of the emphasis given to refunding operations, it is instructive to examine the composition of the national debt at the time the new administration took office.

At the end of January 1953 the national debt totaled \$267 billion. Of this, \$21.7 billion consisted of ninety-day Treasury bills; and this means that at the expiry of that period the Treasury must reborrow the same amounts to pay off the present owners of the obligations (unless the Treasury is operating at a surplus—but we are speaking of times in which deficits in fact prevail). Normally this reborrowing does not occasion any hardship, for the existing owners generally subscribe to the new issue, and thus the latter effectively redeems the former.

Certificates of indebtedness, which have a one-year life span,

totaled \$16.7 billion. Of the remainder of the national debt—consisting of Treasury notes with a usual maturity of three to five years, and of Treasury bonds, of which the longest issues run for twenty or even thirty years—a total of approximately \$37 billion was to expire before the close of 1954 and hence, from the market standpoint, was considered relatively short-term.

The total of bonds and notes expiring through the full four years of the Eisenhower regime will be \$55 billion. Altogether, including also the bills and certificates—but entirely apart from sums required to finance deficits—the Eisenhower administration will be dependent on the money market to refinance a total of at least \$93 billion in debt obligations. This omits the possible redemption of savings bonds in excess of new sales (in 1952 net redemptions amounted to \$370 million while in 1951 they were \$1.1 billion, but for the first eight months of 1953 sales of savings bonds exceeded redemptions by \$188 million).

The composition of the gross direct national debt at the end of January and of July is shown in the accompanying figures (in millions of dollars).<sup>1</sup> It is clear that in these six months there was little discernible change in the composition of the debt. The increase of some \$5 billion was due to the need to finance the deficit of the fiscal year ended June 30, 1953, and to provide funds to

	January 31, 1953	July 31, 1953
Treasury bills	\$21,709	\$20,207
Certificates of indebtedness	16,712	21,756
Treasury notes	30,275	30,455
Treasury bonds	92,368	93,649
Savings bonds	58,134	57,871
Tax and savings notes	5,676	4,706
Special issues	39,097	40,594
Non-interest-bearing issues	3,431	3,431
 Total	 267,402	 272,669

<sup>1</sup> Data from *Federal Reserve Bulletin*. The "special issues" are primarily bonds issued to the Social Security Fund.

cover an expected \$4 billion deficit in the current fiscal year. Practically all of the increase was in certificates of indebtedness, a short-term borrowing instrument and thus hardly conforming with the specified program of lengthening maturities.

As was mentioned above, bonds and notes in the amount of \$37 billion are to fall due for retirement and refinancing before the close of 1954. Between the end of January and the end of September 1953 the total of expiring securities of all types amounted to about \$47 billion. The accompanying tabulation (amounts in millions of dollars), which discloses the nature of these issues and the market obligations offered by the Treasury to replace them, as well as two issues designed primarily to raise new funds, offers a concise and graphic schema of debt-management policy over this period.

It is apparent that all of the refunding operations have placed heavier interest burdens on the Treasury. On the three certificate-of-indebtedness issues and the two expiring bonds the rise in annual charges amounts to about \$84 million. And much the same is true of Treasury bills, where the annual cost, compared to last year's rates, has gone up by some \$70 million. It is estimated that even if interest levels go no higher, and if the forthcoming refunding operations consist of new securities of existing types to replace matured issues, the annual interest cost to the Treasury at the end of fiscal 1956 is likely to be almost \$1 billion in excess of the \$4.6 billion sum for fiscal 1953.

With each new issue offered by the administration, financial journalists have commented that the terms were regarded by market dealers as generous, meaning that rates were above ruling patterns. This is further evidenced by the generally low levels of "cash-ins" in lieu of accepting the new certificates: as a rule, upwards of 90 percent have elected to accept the new offering, and the Treasury has invariably publicized the low cash "attrition" rate. The failure to issue long-dated securities has been due, as we shall see, to the plight of the  $3\frac{1}{4}$  percent issue, which at the time of its announcement was also heralded as proffering generous

## REFUNDING

*Maturing Feb.-Sept. 1953**Refunding Issues*

## TREASURY BILLS

Outstanding end of January: 15 issues totaling \$21,709

Outstanding end of July: 14 issues totaling \$20,207

## CERTIFICATES OF INDEBTEDNESS

1 7/8% issue dated Feb. 15, 1953, in amount \$8,868

2 1/4% issue dated Feb. 15, 1954, in amount \$8,114, or 2 1/2% bond dated Dec. 15, 1958, in amount \$620

1 7/8% issue dated June 1, 1953, in amount \$4,963

2 5/8% issue dated June 1, 1954, in amount \$4,858

2% issue dated Aug. 15, 1953, in amount \$2,882

2 5/8% issue dated Aug. 15, 1954, in amount \$2,788

## TREASURY BONDS

2% issue dated June 15, 1953-55, in amount \$725

2 5/8% certificate of indebtedness dated June 1, 1954 (refunded simultaneously with the 1 7/8% June 1 certificate issue)

2% issue dated Sept 15, 1953, in amount \$7,986

2 5/8% cert. of indebt. dated Sept. 15, 1954, in amount \$4,722, or 2 7/8% note dated Mar. 15, 1957, in amount \$3,000

## NEW FINANCING

3 1/4% Treasury bond dated May 1, 1953, to June 15, 1978-83, in amount \$1,603, sold for cash or in exchange for Series F and G savings bonds maturing May-Dec. 1953

2 1/2% tax anticipation certificates (which may be used in paying taxes) dated July 15, 1953, to March 22, 1954, in amount \$5,902

terms. The almost disastrous early history of this issue will be discussed presently.

Even if the aim of reducing the volume of short-term indebtedness has not been fulfilled—and the first tabulation above shows more imbalance in July than in January between bills and certificates on the one hand and long-term forms on the other—there is

no doubt that the Treasury has promoted a rise in interest rates. This result arises from its belief that inflation is the key economic danger, and that its course is due to the "artificially low interest rates" under predecessor Democratic administrations. Secretary Humphrey, for example, alleged at an Associated Press luncheon on April 20 that for several years "we have artificially manipulated our interest rates" and created inflation; and Mr. Burgess has made similar statements both before and since taking office (the *Monthly Letter of the National City Bank*, published by his former banking firm, condemns the "artificially low interest rates" of the past almost as a matter of course).

The accompanying figures (from the *Federal Reserve Bulletin*) show the movements of interest rates and yields on government securities over recent months in comparison with average figures over recent years. The trend and the magnitudes are clear. In general the movement since October 1952 can be ascribed to the new administration, for with the election returns in, and the campaign views known, rates started moving up. It is well known that in this field today's price—and interest rates are prices for money—

	Treasury Bills (New Issues)	9-12 mo. Maturities	3-5 yr. Maturities	Long-Term Bonds
1950 average	1.22%	1.26%	1.50%	2.32%
1951 "	1.55	1.73	1.93	2.57
1952 "	1.77	1.81	2.13	2.68
Sept. 1952	1.79	1.95	2.28	2.71
Oct. "	1.78	1.84	2.26	2.74
Nov. "	1.86	1.89	2.25	2.71
Dec. "	2.13	2.03	2.30	2.75
Jan. 1953	2.04	1.97	2.39	2.80
Feb. "	2.02	1.97	2.42	2.83
Mar. "	2.08	2.04	2.46	2.89
Apr. "	2.18	2.27	2.61	2.97
May "	2.20	2.41	2.86	3.09
June "	2.23	2.46	2.92	3.09
July "	2.10	2.36	2.72	2.99

reflects opinion on what tomorrow's price is likely to be. The slight downturn and softening of interest rates after June 1953 manifests the easing of the money market consequent upon the "retreat" in monetary policy.

After this examination of the relevant facts let us consider some of the public pronouncements on monetary and debt policy. The remarks, as much as the actions, of responsible Treasury and Reserve Board officials not only put events in better perspective and provide clues to official thought patterns concerning future actions, but also help shape the opinions, outlook, and investment behavior of money-market participants. It will be seen that some statements were ill advised, being badly timed and also, as Mr. Eccles has pointed out, incapable of realization.

As late as June 24, on the very day the Reserve Board announced a reduction of member-bank reserve requirements in order to ease the money supply and interest rates, Secretary Humphrey was quoted in the press as denying that this meant any retreat from a "hard-money" policy. Explaining his position further, and thereby partially modifying it, he declared in a speech that "instead of hard money the goal of this administration is honest money." In words reminiscent of Franklin D. Roosevelt he volunteered that "honest money" is money of constant purchasing power, and went on to say that the new administration has "assured the Federal Reserve that it will have the prime responsibility for maintaining the money and credit situation free of artificial restraints in the best interests of all Americans," adding that since the 1951 accord between the Treasury and the Reserve Board "the Federal Reserve System has been helping to promote an honest dollar by not artificially enlarging the supply of money for the purpose of keeping the interest rates on Government issues low."<sup>2</sup>

Mr. Burgess, in a speech on "Principles of Treasury Policy" delivered on May 12, presented a clear exposition of his views, without equivocation or evasion.<sup>3</sup> He criticized past Treasury

<sup>2</sup> See *Commercial and Financial Chronicle*, August 6, 1953.

<sup>3</sup> See *ibid.*, May 14, 1953.

borrowing from commercial banks on the ground that by increasing the money supply it was inflationary, and proposed that in order to avoid inflation the borrowing be confined to the absorption of savings. He went on to say that "The policy of financing the Government by placing short-term securities in the banks and then calling upon the Federal Reserve System to support the price of government securities . . . had much the same effect as printing so much money."

To avert this he enunciated the principles governing the Treasury's actions: "The first rule of Treasury policy today is that the Federal Reserve System shall be free to exercise its policy without interference," and "this means . . . that the Treasury must sell its securities in the market at the going rate of interest and not at an artificial rate supported by the Federal Reserve System. The second rule is that more government securities must be sold to non-bank investors. Too much of the debt is now concentrated in the banks. This cannot be changed abruptly; but over a period gradually it is proposed to distribute the debt more widely as a necessary step for economic stability. These, then, are the principles of the Treasury in its new program of financing."

In an interesting and revealing non-sequitur he then continued: "The old law of supply and demand is forcing interest rates higher. Also, the Federal Reserve System . . . has been keeping the money market tight." But with respect to the  $3\frac{1}{4}$  percent issue he declared, "We did not make the rate; that was set by the market." And referring to the practice of individuals in subscribing to securities in the expectation of reselling them at a profit shortly after issue, when they would ordinarily go to premium levels, he said that "the free rider, accustomed to pegged markets, had a wholesome lesson" when the  $3\frac{1}{4}$  percent bonds were issued, but in the making of subscription allotments he "must be more carefully screened next time."

Cognizant of the criticism that deflation rather than inflation was the problem, Burgess acknowledged that there were some weak spots in the economy, but observed that income, employment,

and production were at record levels. Hence he concluded that "deflation is as yet a guess, not a reality."

Chairman Martin of the Reserve Board delivered an important statement of his views before the Economic Club of Detroit on April 13, the topic being "The Transition to Free Markets." It will be recalled that Mr. Martin was Undersecretary of the Treasury under Mr. Truman, and was named to the post of Mr. Eccles' successor, Thomas McCabe, when the latter returned to private life. In the course of his address Mr. Martin had this to say:<sup>4</sup>

"... the Federal Reserve decided last December to refrain entirely from purchasing maturing securities. . . . Again in February, when the Treasury refinanced a large maturity with an attractive offer no support was given by the System. Both refundings were highly successful and demonstrated the value of reliance on freely functioning markets rather than on official intervention.

"The transition has major advantages to the System, to the Treasury, and to investors in general. The System no longer needs to inject periodically into credit markets large amounts of reserve funds which are difficult to withdraw before they have resulted in undesirable credit developments. On the other hand, private investors, whose funds the Government seeks to attract, may now fairly appraise a new Government security offering through market processes. They may invest in the new issue with confidence that its market price reflects not just an arbitrary decision by the Treasury and the Federal Open Market Committee but instead the composite evaluation of its worth by thousands of investors in the light of their judgments as to the current and prospective demand and supply of credit. . . .

"As investors continue to operate in a free market for Government securities I am fully confident that they will develop a fuller understanding of the minimum role to be played by the System in such a market."

This is a remarkable statement which, in the course of time, is almost certain to be widely quoted and taken as a mystifying declaration. It is not often that the chairman of a central bank proclaims its abdication of control over interest-rate movements by

<sup>4</sup> *Federal Reserve Bulletin*, April 1955.

an announced withdrawal from the market for government bonds; ordinarily the price movements of such bonds set the tone for the whole interest pattern. To adhere to Mr. Martin's precepts would mean that hereafter the Reserve System, rather than seeking to control interest rates in fulfilling its functions as a central bank, would become a follower instead of a leader in the money market.

It was this novel doctrine that prompted Mr. Eccles' castigation in his analysis for Senator Douglas, to wit:<sup>5</sup> "If the Federal Reserve System discharges its responsibility, there is no such thing as a free market as indicated by Chairman Martin. That concept was meant to be discarded when the Federal Reserve System was established in 1913. It is the function of the Federal Reserve System to maintain economic stability so far as that is possible within the scope of monetary and credit management."

Under Mr. Martin's guidance the Federal Reserve System reduced its holdings of government obligations from \$24.7 billion at the end of December to \$23.8 billion at the end of March, thereby contributing to the destruction of \$900 million of reserve balances and about \$4.5 billion of potential bank credit.

These various remarks and the ensuing actions do not merely represent philosophic disputations without immediate relevance. They have affected interest rates and the present as well as the future course of business in its significant income, output, and employment dimensions. They have also produced a drama in the bond market, in which a bond issue has been tossed into jeopardy and subsequent long-term financing has been hamstrung.

In February Professor Marcus Nadler, an astute student of the daily ebbs and flows of investment demand, asserted, in appraising the money-market situation, that the market was ripe for a 3 percent thirty-year issue, and that these terms would be "generous."<sup>6</sup> Similarly, the *National City Bank Letter* for February stated (p. 18) that "the general impression is that the Treasury can borrow at long-term within the interest rate range of 3 to 3 1/4%."

<sup>5</sup> August 9, 1953, press release from Senator Douglas' office, p. 6.

<sup>6</sup> *New York Times*, February 11, 1953.

On April 8, 1953, the Treasury announced a new issue whereby it proposed to borrow \$1 billion at  $3\frac{1}{4}$  percent for thirty years. Subscriptions were to be opened on April 13, with the issue to commence on May 1. On April 22 the Treasury announced a successful flotation, explaining that subscriptions were five and one-half times the original offering. Mr. Burgess was quoted as saying to the press that inflation was still the problem, and that the  $3\frac{1}{4}$  percent rate was low if it helped maintain stability; he declared too that subscriptions were larger than anticipated, and that it was not to be assumed that future issues would be anchored to a  $3\frac{1}{4}$  percent base.<sup>7</sup>

Trading in the bonds, on a "when issued" basis, began April 15. On Monday, April 27, there occurred something almost unprecedented in the government-bond market: the new issue sold below par. This meant that dealers in the bonds who had bought with an eye to resale would face a loss in so doing. Such an experience would jeopardize the course of future long-term financing, for nobody, least of all professional traders, would be likely to subscribe to an issue that could go to a discount before issue date and could be picked up in the market at a lower price than in subscription from the Treasury. It was this event that evoked Mr. Eccles' remark about the "collapse" of the bond market: if it taught the "free riders" a "wholesome lesson," as Mr. Burgess averred, another such "lesson" might cause investors to shy away altogether from bond buying. The experience with this issue has undoubtedly inhibited subsequent long-term Treasury refinancing.

Why did the bond issue break par? If one looks at Mr. Martin's speech, as well as at Mr. Burgess' statement that interest rates were still low, one has a good part of the answer. If responsible officials indicate, despite new supplies of securities and rising business conditions, that new money will not be available and that interest rates might go higher, they are in effect telling bond-holders to sell now and buy back bonds at a discount later on, when the rates harden and bond prices fall. Heeding this advice,

<sup>7</sup> *New York Times*, April 23, 1953.

as well as the entire tone of official remarks, bondholders were well advised to sell. Also there was Mr. Martin's assurance that the Reserve System would not intervene to safeguard against a fall, and that what occurred would represent a "composite evaluation by thousands of investors."

Watching the market developments with what must have been consternation if not alarm, the Reserve Board hastily abandoned Mr. Martin's strictures. Between April 29 and June 17 it bought \$1,348 million of government security issues. On June 24 it announced, despite Mr. Martin's scruples about "injecting new reserve funds," that reserve requirements were to be reduced, with the result that the lending power of commercial banks would be expanded by some \$5,750 million. With this announcement—and the demonstration of positive action by the central authorities in the money market, promising that new funds would be available—the new 3 1/4 percent issue sold at par, for the first time since the issue date. Since then, with the easing of money rates accompanying the retreat in monetary policy, the issue has tended to hover slightly above par.

#### *Issues and Doubts*

Turning to an appraisal of the new policies, we may consider the validity of the tight-money policy in itself, the level of rates realized, the prudence of the several policy pronouncements, and, above all, the theory permeating all these moves, that is, the manifest aversion to "artificial interest rates."

First, was a tighter money policy warranted in the circumstances prevailing when the new administration and its Treasury team took the reins? Almost without interruption the index of consumer prices had risen from a value of approximately 77 for the last war year 1945 to a value of 114 for 1952. Wholesale prices had followed the same path, reaching a value of 112 in 1952 from 69 in 1945. But the index of farm products at wholesale had been declining for five months when the Eisenhower regime assumed responsibility, dropping from 110 in August 1952 to 100 in Janu-

ary 1953. The same was true of processed foods, according to the index data, while other commodities held rather firm. Consumer prices, reflecting the rent rises consequent upon widening decontrol, higher wage rates, and rigid prices of consumer services, were tending to fall at a slower tempo; but a microscopic downward movement was evident, as indicated by the index fall from 114.3 to 113.9 over the same five months. It was plausible, too, to expect the "disinflation" in wholesale levels to be transmitted, with some lag, to retail prices.

Further, it was generally known that military expenditures were due soon to reach their peak and then taper off. Besides, the new administration was pledged to reduce government outlays, barring only the emergence of still greater tensions with the Soviet or the catastrophe of atomic war.

Thus in January 1953 there could have been legitimate differences of opinion among reasonable men as to whether inflation or some deflationary downturn was the imminent problem. Essentially, the responsible Treasury people seem to have discounted the latter possibility. But although higher interest rates constitute the proper medicine in an economy that is expected to display an inflationary surge, the Treasury, in adopting this course, also acquiesced to the immediate lifting of all price controls and the February 20 reduction of margin requirements on stock-market purchases. These seem like very contradictory antidotes to be administered to a patient believed afflicted with inflationary tensions.

If tight money was to be enforced, moves against instalment credit and nominal down payments on home purchases might also have been invoked. The failure to take these steps attests to a singular faith in the efficacy of mere changes in interest rates and to an apparently inflexible resolve against other methods. Such other measures certainly belong, however, to the general family of credit and indirect controls often espoused by those who, agreeing that inflation must be checked, find direct price controls repugnant by virtue of their bureaucratic complexion.

Even if inflation was not an unreasonable surmise in January, and even if higher interest rates to the exclusion of other control techniques were adequate for the job of checking it, the question arises whether the actual levels to which interest rates were permitted to go were warranted in the light of the facts, or whether they were pushed up with unseemly haste.

The last tabulation above has shown how interest rates inexorably advanced during the first six months of the new policy, before the reversal engineered by the Federal Reserve in late June. Considering the debatable nature of the inflation issue at the beginning of 1953, it seems that the Treasury might have proceeded with more caution in its policies. A more guarded approach would have countenanced one or two gestures in the direction of higher interest rates, to place the economy on notice that monetary policy would be peremptorily employed if inflation did develop.

In actual fact, as we have seen, the evolving price events over the half-year were not wholly inflationary in nature, nor were production, employment, and construction; the latter, in particular, was turning down. And yet the flight of interest rates was permitted to continue over the several months, as if the authorities were bent on accomplishing higher levels "come what may"—including the added burden to the Treasury. Even after the Federal Reserve about-face, this still seemed to be the attitude of the Treasury officials who were critical of low interest rates.

Apart from the wisdom of the cumulative interest push-up, there is a question whether all Treasury rates should have been permitted to advance almost in step and in the same degree. The administration was committed to control of inflation and to extending the maturity of the national debt. To control inflation it was essential, as Mr. Burgess stated, to curb commercial banks' subscriptions to the obligations offered, and to begin reducing their total security portfolios. But banks constitute the main class of subscribers to Treasury bills and certificates. If rates on these had been restrained while those on longer bond issues were advanced, the entire policy would have been more consistent with

the avowed declarations of higher interest rates for attracting non-bank investors and extending the term of the debt.

As matters stood, those who preferred short to long maturities had scant reason, ratewise, to alter their preference, inasmuch as the entire rate structure moved up almost proportionately. Ironically, as they were being told that the future would bring still higher interest phenomena there was even more reason than before to concentrate on short-dated maturities, whose prices are less sensitive to changes in interest rates.

It has already been indicated that the various policy announcements just prior to the  $3\frac{1}{4}$  percent offering of May 1 were imprudent and in part responsible for the near-debacle that attended its marketing. It may be constructive to inquire just how far the monetary authorities ought to go in conveying views on forthcoming policy to dealers in the money market, who scan their every word for a clue to the unknown future. From what has been said it may appear that they ought to indulge only in generalities buttressed by platitudes.

Though these remarks are not intended as a primer in speech-making—those in responsible posts are seldom lacking in noble sentiments and grand phrases—it seems clear that what ought *not* be said, in a situation in which government securities are being offered and the authorities are interested in the success of the offering, is that the terms of the offering, though good, are poor by standards that may soon be attained. It is hard to sell automobiles today when you inform your customers that a lower price will be available in a few days.

To hold a market together, with narrow price movements and active trading, there must be a substantial diversity of views on future rates of interest. If everyone comes to think alike, prices will move rapidly to the levels of the unanimity, even without any transactions taking place. These propositions have important implications for monetary policy. Only when the monetary authorities want to alter the general rate level ought they seek to foster certainty and unanimity, to the effect that this new level

will be realized and maintained. If they want to maintain a particular rate structure without participating actively in open-market transactions, they must induce a diversity of views, so that demand for long and short securities will remain in good balance. Diversity can result only when the market is relatively uninformed, guessing and unsure of the monetary authorities' intentions, with any crystalizing of market sentiment in one direction dissolved by contradictory central bank behavior. Apparently in the first months of 1953—until the Federal Reserve intervention and policy retreat—feeling was rife, fostered in part by the various pronouncements, that interest rates would rise. This made inevitable a lift to higher ground, with the movement tempered only by some pessimism as to the future course of business.

The concept of "artificial interest rates," of which Secretary Humphrey and Deputy Burgess are so disdainful, is difficult and elusive to deal with, primarily because they have not taken any pains to define precisely what they mean by it. Often the phrase seems to be merely a reproach of low interest rates. At other times Federal Reserve action in the government-bond market seems to be what is reprehensible.

Not so long ago the economic literature of the Knut Wicksell genealogy suggested that the "natural" rates of interest are those that would be realized in a barter economy where money is non-existent. But these views were discredited when it was pointed out that a barter economy would be hopelessly inefficient if applied on a wide scale in contemporary society. And once money is introduced, inasmuch as it is a new element in the economy, subject to choice and valuation, the results cannot possibly be the same as under even a smoothly working barter mechanism.

After this version of "natural" rates was discarded, it was suggested that interest rates be known by their effects, that the "natural" rates are those that keep the price level stable and equate the rate of saving and investment. And when it was shown that these twin objectives might be mutually contradictory, the concept of "natural" interest rates received a practically mortal blow. Lord

Keynes suggested that if we want to preserve the term we should allot it to that interest structure that would maintain full employment. Apparently, however, it is not this meaning that is intended when "artificial rates" are being condemned by policymakers, for we have had full employment in a practical sense over recent years, albeit with inflation.

Sometimes, in more popular usage, the epithet "artificial" has been hurled at the Federal Reserve practice of supporting government bond prices at a fixed peg. Objections of this sort may or may not be warranted, depending on circumstances. But this is an objection to a particular interest policy, and it should not carry the confusing and emotional implication that another policy would be more "real" or "natural." *Anything that the Reserve System does in this area is "artificial," for it is wholly attributable to human decision and judgment.* To decry one policy as "artificial" and commend another as "natural" is to engage in word flavoring rather than analysis.

Surely it cannot be contended that all Federal Reserve dealings in government bonds are "unnatural" and undesirable, for this would amount to a denial of the role and efficacy of "open-market operations," which are a key weapon in the armory of central banks. If this is the Treasury view it ought to be stated publicly and candidly. Acceptance of this position would entail a radical overhaul of our central banking mechanism.

Sometimes the phrase is intended to imply that Federal Reserve dealings in government bonds, either immediately before or immediately after issue dates, are morally unsavory and constitute market "rigging," as the phrase goes. Those who hold this view would seek to circumscribe the timing of Federal Reserve policy. Such action, if made a hard and fast rule in an era of frequent government offerings, would come close to precluding open-market operations. It is doubtful that this would be a happy restriction of the Reserve System's power and freedom of action.

Furthermore, the suggestion that the Reserve System be prohibited from influencing the climate of the money market, either

before or after offering dates, constitutes a strange attitude for individuals whose experience derives from the business world. It is an accepted, common, and legal practice in the flotation of non-governmental securities for the underwriters to "stabilize" the prices of the securities before and after issue date, often with the use of bank funds. If warranted there, why not in government securities?

The suspicion and evil cloud of "artificiality" does not seem to hover about other Reserve System manoeuvres, such as altering reserve requirements; at least they have not been denounced in this way. Yet the difference between this type of action and open-market operations is at best one of degree, for whereas the latter alters the amount of securities in the hands of the market and affects excess reserves, the former first affects excess reserves and then leaves it to the commercial banks to absorb or release securities in dealing with other holders. Actually, the altering of reserve requirements, since it is more dramatic and more publicized than open-market operations, might be alleged to be the most "artificial" step of all.

If the changing of reserve requirements is subject to the same censure of artificiality, we can only conclude that those who use this term are opposed to any vital central banking actions whatever, particularly those that augment the money supply. And if this is the correct interpretation we ought to be apprised of it before the deflationary consequences engulf us in an economic disaster, for a growing economy needs a growing money supply to avoid deflationary consequences. It is the legitimate task of the central bank to provide this money supply, unless it is to renounce its obligations and responsibilities.

Finally, it may be that the "artificiality" concept is intended to signify merely that interest rates are low by historical standards. This may be true and yet unimportant. We are interested in the *effects* of interest rates, not in fastidious relationships of historical detail. Nor are we interested in reimposing past patterns for their own sake. The agricultural assistance program, with its attempt

to restore relationships prevalent before World War I, is not an illustration of overwhelming triumph in twentieth-century economic policy.

In sum, the record over the first six months of the Eisenhower administration often makes it appear that higher interest rates were sought almost as ends in themselves. And at the same time the Chairman of the Federal Reserve System came very close to promulgating a new doctrine tantamount to an abdication of traditional central bank responsibility, with the demise of some of its primary functions. Fortunately this thinking seems to have been arrested without any indelible effect on the remainder of the Board: in June its responsibilities were asserted and its control over the money market restored. Only the future, however, will reveal whether the Treasury is indeed wedded to an objective of higher interest rates than those prevailing, or whether it will acquiesce in a rate structure designed for economic stability, without the inflation of the recent past or the deflations of even less lamented memory.

# URBAN REDEVELOPMENT: A NEW APPROACH TO URBAN RECONSTRUCTION

BY PAUL A. PFRETSCHNER

IN JUNE 1949 William L. Slayton, Associate Director of the Urban Redevelopment Study of the Public Administration Clearing House in Chicago, wrote, "Within the next few years, urban redevelopment may well become a major concern of government at all three levels."<sup>1</sup> Events since that date have added weight to his prediction. Urban redevelopment, as a conception and as a technique, is the newest contribution to the reconstruction of American cities. Unlike "planning," which can be stretched to cover a multitude of subjects, the term "urban redevelopment" can be understood through relatively limited legal and financial definition. This does not imply, however, that it lacks infinitely broad possibilities of application.

## *The Scope of Urban Redevelopment*

"Urban redevelopment is the name for a set of related measures, policies, and programs aimed at remaking all kinds of blighted areas into districts that will fit into an intelligent plan for the future of an urban center or metropolitan region."<sup>2</sup> More precisely, "Urban redevelopment means a comprehensive campaign or program to attack the problems of blight in a locality—near-in, in subdivision areas, and in between. It is not simply a device for making possible one or two or a handful of scattered

<sup>1</sup> William L. Slayton, "Preparing for Urban Redevelopment," in *State Government*, vol. 22 (June 1949) p. 158.

<sup>2</sup> Coleman Woodbury and Frederick Gutheim, *Rethinking Urban Redevelopment* (Chicago 1949) p. 21.

'projects.'"<sup>3</sup> The term itself came into use twelve to fourteen years ago. At that time, urban blight was well recognized as both cause and effect of the disappearance of taxpaying ability from central cities. Those who could afford to move to the more commodious suburban neighborhoods had done so over a long period of time, and two kinds of blight developed: the blight of the center—run-down, shabby tenements and slums, necessarily overcrowded by reason of the economic status of those who occupied them; and the blight of the outskirts—land improperly planned and prematurely developed upon the basis of speculation over the rate of flow to the suburbs. Urban redevelopment became the rallying cry for those who wanted to combat this dual problem.

The first idea was to create a device to facilitate private investment and building in the near-in blighted areas which were so badly neglected. The immediate problem was land acquisition. In almost every urban community land ownership was extremely diversified, and parcels of a city block might be divided among half-a-dozen to several hundred persons, corporations, clubs, or trusts. In a few cases, comprehensive redevelopment of a city block or neighborhood by private firms had gone as far as the planning stage, but each time, at the point of acquisition, one or a few property holders managed to defeat the attempt. To arm the private developer against such difficulties, several states began to enact so-called urban redevelopment legislation. The first was New York State's Urban Redevelopment Corporations Law of 1941, which gave a majority of landholders the power to force a minority into a redevelopment scheme by applying the state's power of eminent domain. Later state laws, such as that of Pennsylvania, granted the power of eminent domain to various public bodies which could, in turn, lease or sell the land to private developers. The now famous, or notorious, Stuyvesant Town of the Metropolitan Life Insurance Company in New York

<sup>3</sup> *Ibid.*, p. iii.

City was the first project undertaken in accordance with the new laws.<sup>4</sup>

What was hailed as a great panacea for many of the ills of city life, including the enervating disease of suburbanitis, unfortunately did not measure up to expectations. Too many of the complexities of urban existence were neglected. The mere inability to assemble a relatively large tract of land was an insignificant legal problem in comparison with others which the "urban redevelopers" had to face. Many have oversimplified the causes of slum conditions. They forgot that slums stem from a great variety of factors, that they are caused in part by lack of planning, inadequate building codes and code enforcement, zoning laws which do not assure sufficient protection from industrial encroachment, and tax laws which penalize slum improvements. Slums also exist because, inescapably, the slum dwellers have low incomes. In 1948 the families of slightly less than one-third of the nation had an annual income of less than \$2,500. The average rent for a substandard dwelling in an urban area was \$28.50, and most of the people who occupied such dwellings could not afford to pay more.<sup>5</sup>

The problems of the urban redevelopers reached beyond the immediate causes of slums. They were also forced into the field

<sup>4</sup> *Ibid.*, p. 1. See also National Housing Agency, *Land Assembly for Urban Redevelopment* (Washington 1945) p. 9. By May 1948 twenty-four states had enacted urban redevelopment legislation.

The "success or failure" of New York's Stuyvesant Town has been a matter of running debate ever since its construction. Certainly it has not measured up to all expectations. In *Your City Tomorrow* (New York 1947) p. 110, Guy Greer mentions a few of the strongest criticisms which have been made of the project. First, he says, the New York State law was tailor-made to fit the specifications of the Metropolitan Life Insurance Company, which is a bad precedent in any case. To insure a safe investment, tax exemption privileges were extended and most of the restrictions on operation were removed. But worst of all were the results. The size and character of the project were in no way related to the surrounding urban land use, nor was any provision made for proper community facilities. Finally, the new population density doubled that of the area before initiation of the project, and was more than twice the density of the rest of Manhattan.

<sup>5</sup> J. S. Fuerst, "Public Housing Measured: Three Criteria for Success," in *American City*, vol. 64 (February 1949) pp. 97-98.

of real estate finance, to discover that almost everywhere the shabbiest, most run-down, most blighted central land areas had the highest asking prices of any parcels except in the commercial districts. The explanation was relatively simple. Owners were caught in a heavy investment that did not fulfill expectations. As Mabel Walker stated the case in her remarkable treatise, *Urban Blight and Slums*, "the crux of the problem is the discrepancy between the value which the owner places upon the land and the use to which the property can be appropriately and economically put."<sup>6</sup>

What great expectations had possessed these speculators in urban real estate? Theirs was the rosy glow of optimism of a hundred thousand Babbitts, repeated in ten thousand Zeniths: the assurance of a bigger and better town, an ever-expanding commerce. In the central sections of every city men held land and others bought land in the firm belief that the business and commerce sections would eventually expand, and that the sale value of their parcel would soar. Of course the investors had to pay a price well above the current "use value" of their land, but they expected to reap their profit from future resale, not from present use. Indeed, for many generations this was sound business logic. Towns and cities did grow at the center. Skyscrapers appeared on land which, in the memory of living man, had been ploughed and planted. But the boom eventually halted, partly because America's tremendous physical development was leveling off, partly because her cities had become overly congested and were in a process of self-strangulation. The rush for the open spaces of the suburbs was on. In a very real sense, the owners of centrally located plots were left with a "sour" investment.

The consequences for the cities were serious and damaging. In order to make his investment pay dividends, the landowner was obliged to increase the density on his acreage. Where congestion did not exist, he had to create it. This was no long-run

<sup>6</sup> Mabel Walker, *Urban Blight and Slums* (Cambridge, Massachusetts, 1938) p. 17.

answer, of course, for as the neighborhood became more run down, those who could afford anything better moved out. Rents decreased, owners resorted to further concentration and congestion, and to lower expenditures for upkeep. Caught in a vicious circle, the only salvation for the slum owner was a lenient enforcement of fire and health ordinances. The economic costs to the city in lost taxes and in police, fire, welfare, health, and correctional services to the slum dwellers were staggering. The social loss engendered was incalculable, but unquestionably more severe than most reports would indicate.<sup>7</sup>

The urban redevelopers had to face other problems also. In addition to high acquisition costs from "inflated" land values and scattered ownership, much of the land was held under questionable title, which few developers cared to risk. The land itself and the streets and utilities were hampered by obsolete layout. Many areas lacked adequate recreational space and community facilities. Everywhere there were problems of tax delinquencies. Further, there was the undeniable fact that private enterprise was not attacking the problem and did not show any signs of doing so. It could not. As one Congressional Report bluntly stated, "The high prices for slum land, particularly in relation to the prices at which builders can acquire outlying sites, have effectively barred the purchase and the redevelopment of slum sites by private enterprise on anything but the most piecemeal and sporadic basis."<sup>8</sup> No private entrepreneur could cope with the vastness of urban blight, nor could he satisfy the demands of social welfare at a reasonable profit. This was a task that demanded at least assistance from the federal government, if not

<sup>7</sup> "Behind Title I (the urban redevelopment title of the Housing Act of 1949) . . . is the principle that, from any angle—citizenship, health, appearance, taxes, or property values—it is better to pay now for the cost of clearing slums and thereby get rid of them than to continue paying the evermounting costs of slums and suffer their destructive effects upon human lives and property indefinitely." Division of Slum Clearance and Urban Redevelopment, Housing and Home Finance Agency, *Slum Clearance and Urban Redevelopment* (Washington 1950) p. 5.

<sup>8</sup> Senate Committee on Banking and Currency, 81st Congress, 1st Session, Senate Report no. 84, p. 11.

federal government operation. It extended beyond what any state or local agency could supply. What was needed was a "large-scale capital outlay for the acquisition, preparation, and the write-down cost for preparing slum land for sale and reuse."<sup>9</sup>

It is no wonder that when the complexity and the magnitude of the undertaking were discovered the urban redevelopers broadened the scope of their thinking about the subject. Within a few short years after the first New York experiments, notable changes were made in terms both of subject content and of subject financing. Typical of the new line of thought was an article in *American City* for December 1949, by Warren J. Vinton, then the First Assistant Administrator of the Public Housing Administration. He wrote that urban redevelopment projects should not be isolated islands, "surrounded by unrelated neighborhoods, and rebuilt in a single construction job." They should be originally conceived as a rebuilding process for whole neighborhoods. The acquisition of the site, the demolition of old buildings, and the construction of new ones, may well spread over a number of years, with each step progressing as time and circumstances permit; but the project should always be held together as an organic whole. This does not mean uniformity. A variety of redevelopers are needed if the various parts are to be built according to plan. Diversity in the area is to be encouraged, including, Vinton thinks, placing public and private housing side by side instead of segregating all low-rent housing in a gigantic public project. His main theme, however, often repeated, is that urban redevelopment involves much more than a sporadic attack on the most ostentatiously disgusting slum areas. It means a continuous process of building and rebuilding according to a well thought-out organic plan.<sup>10</sup>

A more striking illustration of the change which the concept of urban redevelopment underwent appeared at a conference of

<sup>9</sup> Marvin R. Summers, *Legislative History of the Housing Act of 1949* (Dissertation, University of Iowa 1950) pp. 21-26; Woodbury and Gutheim, *op. cit.*, p. 1; National Housing Agency, *op. cit.*, p. 3.

<sup>10</sup> Warren J. Vinton, "Urban Redevelopment and Public Housing Programs Must Work Together," in *American City*, vol. 64 (December 1949) p. 117.

urban redevelopment leaders held in Chicago in May 1948. The conferees agreed that urban redevelopment had to be undertaken in conformity with city and regional planning. This made it a more difficult task, for the redevelopment agency had to plan in its own limited sphere; but the agency, they said, also had a responsibility to the planning commission—or more accurately, a responsibility to the city plan. The conferees wanted to replace the negative notion of redevelopment as blight elimination with "the positive objective of building the city we want." "From this point of view, urban redevelopment . . . becomes one tool or method for making effective a comprehensive and intelligent plan for the physical development of the entire area."<sup>11</sup> Some conferees were anxious to state that this did not imply less concentration on blighted areas, but in view of the above quotation and similar supporting statements, it is difficult to concede that this definition points to anything less than total urban reconstruction.

Indeed, urban redevelopment has been lately defined by a few persons in such loose terms as to make the result a meaningless jumble. William Slayton wrote, for example, that "a broad interpretation of the term includes all forces, techniques, and procedures that alter the existing physical and social pattern of the urban area."<sup>12</sup> At the very least, this is also a definition of total municipal power, and it is questionable whether urban redevelopment has reached that point. As one government document ably stated the case, most redevelopment proposals break down to the "means of acquiring sizable tracts for neighborhood redevelopment and of offsetting the present high acquisition costs for central blighted areas."<sup>13</sup> There are no objections to the expansion of the concept, but it has already been seen that this

<sup>11</sup> Woodbury and Gutheim, *op. cit.*, pp. 3-4. The authors also make this interesting statement (p. 21): "The first steps in redevelopment programs can be a major stimulus to the analysis, discussion, and synthesis that are essential to arriving at some agreement on both broad objectives and working standards."

<sup>12</sup> Slayton, *loc. cit.*

<sup>13</sup> National Housing Agency, *op. cit.*, p. 3.

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innocent-looking phrase now contains implications which are considerably more complex than was ever supposed a decade ago.

### *Blight*

Certain problems inherent in the process of urban redevelopment have already been mentioned briefly and deserve further comment. They stem from the relation of urban blight, and its removal, to other political and social phenomena in the community.

Urban redevelopers discovered that before any action could be taken at all, they had to reach some accepted definition of the word "blight." To date, no precise legal formula determining the nature of blight has faced the test of court review. Certain principles have become rather broadly accepted, however, and it may be assumed that the courts would not challenge these as proper standards. It is generally accepted that blight is evidenced by physical deterioration, by the existence of obsolete buildings, and by the loss of people from residential districts; and it is often characterized by overcrowding or high density rates. The "Philadelphia School" adds that blight is also a social phenomenon. It appears not only in the form of physical breakdown of communities, but also in the shape of social and psychological deterioration: it is evidenced by poor morale, by a lack of pride in the neighborhood or district, by a general slovenliness of attitude, and often by high juvenile delinquency rates. The Philadelphians contend, therefore, that remedial measures must be aimed at these attitudes as well as at the more obvious physical deterioration.

Within the general definition of blight there are two specific area categories, the existence of which leads to a second problem in urban redevelopment. First, there is the old, built-up central district, and second, there is the inactive and dying subdivision. In both types of area the war and postwar years increased the intensity of the blight because standards of space, design, and construction were lowered, and so-called "temporary" structures were frequently erected. Thus the redevelopers are faced with

two distinct possibilities, and are obliged to determine whether they will tackle the blight problem in outlying areas where solutions will be easier, land cheaper, a profit within the realm of possibility, and relief from the housing shortage aided, or whether they will begin their programs in the built-up central areas where land will be extremely dear and present shelter necessarily destroyed, but where at least the worst of the slums can be removed.<sup>14</sup> The choice is not an easy one in any case, for there are many compelling considerations on both sides. In attempting an answer, the urban redevelopers will undoubtedly find themselves face to face with another problem: the extent to which this method itself ought to be used in slum clearance and blight removal, and the extent to which other methods ought to be introduced.

#### *Rehabilitation*

At first it was generally held that the functions of redevelopment consisted of wholesale land acquisition and clearance, and the re-layout of present blighted areas. The Philadelphians have again taken a different position. They contend that the common view of urban redevelopment is excessively drastic, and that such steps are only occasionally needed. In many areas, they say, "neighborhood rehabilitation" will suffice. By this they mean removal of the worst deteriorated buildings, either by repair or when necessary by demolition; creation of more neighborhood play space; purchase of run-down properties for rehabilitation; closing off minor streets and alleys, rerouting traffic, and the improvement of services; and neighborhood campaigns for rehabilitation, aimed at social attitudes as well as at physical blight. In support of their position, the Philadelphians say that urban redevelopment on a large enough scale to clear away all undesirable living space will be a long time in arriving, and that until it does, something must be done to make life more bearable in areas which have not deteriorated so badly that they must be demolished. They hold, furthermore, that their methods are less

<sup>14</sup> Woodbury and Gutheim, *op. cit.*, pp. 2-3, 7.

costly, do not depend on a government agency for all operations, and—most salutary of all—create an opportunity for mass participation in community rehabilitation.

Of course there is nothing like unanimous agreement with this position. Leaders in Chicago's redevelopment efforts are particularly vociferous in their opposition. They declare that the Philadelphia answer is medicine too weak for the disease, and that for most people it would mean only disillusionment and a wasted investment in already worthless property, an investment that someday would have to be paid for by a slum clearance agency.<sup>15</sup>

This much may be said for both sides. Philadelphia's bad slums are spotty, and by comparison, their state of deterioration is not too serious. Chicago, on the other hand, faces rehabilitation by the square mile of some of the worst ramshackle tenements in the world. Perhaps the choice of program depends in great part on the location of the city and the conditions of its blighted areas.

Immediately related to this problem is the question of determining proper standards for the reconstruction of the demolished areas. Numerous suggestions have been made along this line, but there does not yet exist anything like a set of minimum acceptable standards for an urban redevelopment project. The various proposals, however, do give some hint of the direction which current thought is taking in relation to this matter. "A major objective," said the National Housing Agency in 1945, "is to make central land as available for development as land at the fringe; to wipe out the differentials that now induce builders and residents to seek outlying land to the exclusion of near-in land." To be successful in such an undertaking, a program for developing the central areas for residence would have to consider the same human objectives which attract people to the fringe. These include openness, the existence of greenery, adequate play areas, and a sense of community kinship or "belongingness." Of course the city cannot duplicate the suburb in every respect, nor

<sup>15</sup> *Ibid.*, pp. 11-12.

should it attempt to do so. Some modifications will have to be made, but the central city location also has advantages that should not be overlooked, such as convenience to business and shopping districts, theatres, and other cultural centers, plus the elimination of time lost in commuting from bedroom town to work town. The greatest danger, the agency warned, was that of an excessive exploitation of the advantages of central location by the increase of population densities in such areas.<sup>16</sup> The 1948 Chicago Conference on Urban Redevelopment agreed that an overly dense residential development was a serious danger to be avoided at all costs. The delegates could not, however, agree on what the most desirable density was, or even suggest limits for various types of areas.<sup>17</sup>

Other suggestions of area standards were easier to discuss and approve. The conferees thought that the land reserves should be acquired and held for future development; they agreed that any redevelopment plan should give consideration to the problem of competition between sites; and finally, there was full accord that a municipal land policy should be established in all urban centers which would affect not only possible redevelopment sites, but the entire area of the urban community. City powers, they said, had a substantial effect on urban land use. Urban redevelopment, zoning, subdivision, and police regulation should be studied and integrated in an overall land policy, and no redevelopment project should be undertaken which in any way conflicted with such a policy once it had been established.<sup>18</sup>

A further problem appears in connection with the physical

<sup>16</sup> National Housing Agency, *op. cit.*, pp. 6-7.

<sup>17</sup> There is, of course, no such thing as "the desirable density." Each city must decide such objectives for itself. A safe rule of thumb is to assume that any increase of present densities in central areas is neither feasible nor desirable. Samples of proposed public housing projects show these diverse figures throughout the nation: Chicago, 20 families per acre; Boston, up to 50 families per acre (compensated by lower densities in other portions); Philadelphia, 30 families per acre in the central area, 60 per acre on the most expensive sites; Cleveland, 10 per acre for one-family houses, 20 per acre for two-family houses, 40-50 per acre for multiple-family buildings. National Housing Agency, *op. cit.*, p. 11.

<sup>18</sup> Woodbury and Gutheim, *op. cit.*, pp. 5-6.

rehabilitation of blighted areas, namely, the relation between public housing and urban redevelopment. From the outset, the redevelopers have had to combat a popular misconception that public housing programs alone will clear slums. This is not true. The Housing Act of 1937 combined slum clearance and public housing on a one-for-one basis (one unit of slum dwelling to be demolished for every public, low-rent unit constructed). Thus far, the 1937 Act has resulted in the elimination of 142,583 unsafe and unsanitary dwellings—a mere drop in the bucket compared to the national problem. The ineffectiveness of a housing program by itself in clearing slums is due in part to the existence of a long-term housing shortage, but also to the fact that blight is a complex phenomenon related to other factors in addition to housing. This was the basic premise of the authors of the 1949 Housing Act, who wrote a specific slum clearance title into the legislation.<sup>19</sup>

The special characteristics of urban redevelopment which make it more than a mere "rehousing scheme" have led a few individuals into a more serious error: the assumption that public housing and urban redevelopment have little or no relation to each other. This misconception has gone so far that it has resulted in suggestions that housing legislation and administration be separated from redevelopment legislation and administration. The fallacy of such a stand is easily demonstrated, for there are two points at which public housing and urban redevelopment are intimately joined.

First, no slum clearance project is conceivable that does not take into consideration the current occupants of the slum area. There is a moral obligation, and now a legal one as well, to make sure that persons uprooted from their homes are provided with at least comparable shelter elsewhere. With the extremely tight rental situation which plagues low-income urban families, it is foolish even to talk about finding adequate shelter for displaced

<sup>19</sup> Division of Slum Clearance and Urban Redevelopment, *Housing and Home Finance Agency, The Relation between Slum Clearance and Urban Redevelopment and Low-Rent Public Housing* (Washington 1950) pp. 5-6.

families in existing private dwellings. Moreover, there is a recognized social value in keeping together the displaced residents of a slum clearance area until they can be resettled once more in the atmosphere of a homogeneous neighborhood. Thus reserved low-cost public housing for displaced families of redevelopment projects is virtually obligatory before such a project can be initiated.

Second, redevelopers must eventually face the fact that most of the area they will acquire and clear can never be used for anything except low-cost housing. All wishful thinking to the contrary, housing as a long-term re-use seems inevitable. And it will be mainly public housing, for there is a certain class of people for whom no private builder is able to build safe and decent housing facilities. Only a very small part of the present blighted area can ever be turned into industrial or commercial use or into medium and high income housing. Any redevelopment program which halts after these limited areas have been cleared and leased or sold is not worthy of the name. No matter how desirable it would be to have private enterprise take on the major burden of project completion, the cold hard facts of the profit-and-loss statement prohibit the realization of such an objective. It is all too clear that comprehensive redevelopment cannot become a reality without a continuous housing program supported by large-scale federal grants.<sup>20</sup>

#### *Organization for Urban Redevelopment*

Beyond the problems of project specifications and objectives lie the questions of organization and procedure, and certain points of contention have stood out here. Unquestionably, primary responsibility rests with the local community,<sup>21</sup> but conflict is possi-

<sup>20</sup> Nathaniel S. Keith, "Slum Clearance for American Cities," in *League of Iowa Municipalities Monthly Magazine*, vol. 5 (June 1950) p. 11; Woodbury and Gutheim, *op. cit.*, pp. 12-13.

<sup>21</sup> "The Agency . . . will give all possible assistance to participating communities. But in the end, the primary responsibility lies with the community." Keith, *op. cit.*, p. 10.

ble among local agencies. Quite early in the development of the idea, it was recognized that planning for urban redevelopment should come from the planning commission. What was really needed, of course, was a metropolitan or regional planning committee, but as Woodbury and Gutheim state, "urban redevelopment could not wait until this millennium of planning organization was realized."<sup>22</sup> After the planning stage is passed, however, it becomes less clear which of the various agencies engaged in the actual redevelopment operation should assume leadership. Possible agencies might include a redevelopment authority, a housing authority, private realty corporations, and various divisions and agencies of the city administration. Some have argued that leadership should be vested in the redevelopment agency, since it is the principal entity engaged in the undertaking, but this leaves unsettled the question of how the various agencies are to be coordinated.<sup>23</sup> The question is yet unsolved in many areas, and it is safe to assume that it will frequently be solved on the basis of which is the most aggressive agency.

To be successful, urban redevelopment will have to rest on a well thought-out program to attain, as a minimum, these three essential goals: public understanding and appreciation for the final objectives of redevelopment; an elementary understanding of the steps which lead to that goal; for a limited number of people, a sense of participation in formulating objectives and the steps to be taken. Of the major cities that are concerned with this problem, Philadelphia has insisted most strongly on the importance of public relations, and boasts the finest record in public participation.

The Philadelphia program is by every standard an ambitious one. Newspapers have given planning and redevelopment excellent coverage. A citizens' planning council provides a focus of interest for the more active-minded. City planning is taught and discussed in the schools, and children are put to work on

<sup>22</sup> Woodbury and Gutheim, *op. cit.*, p. 4.

<sup>23</sup> *Ibid.*, pp. 4-5.

specific neighborhood problems. A few years ago \$400,000 was spent for an exhibit in a downtown department store to dramatize the possibilities of planning and redevelopment, and thousands of citizens thereby learned the story for the first time. Redevelopment problems are taken directly to the people themselves. City agencies which meet in area-planning conferences try to find out what local and neighborhood leaders want. In these meetings "every effort is made to hold a balance among social, economic, and physical facts and considerations." In short, the procedure is essentially democratic throughout.

In discussing the Philadelphia system at the Redevelopment Conference of 1948, many of the participants paid it high tribute. From the report of the Conference proceedings comes this statement: "One member of the Conference suggested that genuine participation in redevelopment, which seemed to be the objective of the Philadelphia activity, should not be judged simply on whether or not it made possible a large program or facilitated its execution. For him the activities of the neighborhood and other groups in Philadelphia were valuable as a democratic process regardless of their effects upon particular programs. By this he did not mean to say that they should not be judged in part by their effects upon urban redevelopment in Philadelphia. He did mean that they had other values and contributions to civic and political life in that city than their effects upon conservation measures in this district or the building of that one."<sup>24</sup> It remains open to speculation, however, how many other redevelopment leaders would care to adopt the Philadelphia formula with its implications of majoritarian democracy and its challenge to the supremacy of the engineer and the architect.

#### *Financing*

The financing of urban redevelopment is another area where special problems abound. The magnitude of the redevelopment needs is staggering. According to the 1940 housing census for

<sup>24</sup> Woodbury and Gutheim, *op. cit.*, p. 10.

forty-two cities, large-scale clearance areas, as defined, contained 5,200,000 dwelling units. Seven-tenths of these were substandard by census categories; that is, they needed major repairs or lacked a private bathroom. The total area included about 6 to 8 percent of the cities measured. The cost of clearance for these areas was figured at \$11,500,000,000 in 1940 dollars (\$6,300,000,000 for land, and \$5,200,000,000 for structures to be torn down). This was not the true cost, however, for it did not take into consideration the annual return from land made usable by redevelopment. The true cost, again in 1940 dollars, with annual interest figured at  $2\frac{1}{8}$  percent and a sixty-year amortization period, would come to \$166,500,000 per annum.<sup>25</sup>

As soon as the first serious studies of redevelopment costs appeared, it became apparent that the method could not be used for any length of time on the basis of a profit incentive. No better statement recognizing this fact could be found than the one in Woodbury and Gutheim, *Rethinking Urban Redevelopment*: "The aggregate of speculative land values based on expectations of more profitable future use [is] always greater than the realizable values for the simple reason that these expectations of future use always [affect] much more land than the particular use or uses would in fact require. One of the objects of the redevelopment agency, therefore, is to prevent these high asking prices from holding up all or nearly all desirable developments in these areas. In doing this, it would operate as economically as possible, but it could foresee only a net loss from its operations in the long run."<sup>26</sup>

When redevelopers still talked in terms of making a profit, they raised the question of who would absorb the cost of the "write-down." The profit school said that land should be sold to other public agencies at the price of acquisition. Others maintained that it was the function of the urban redevelopment agency to absorb the speculative element of the cost, and that another

<sup>25</sup> National Housing Agency, *op. cit.*, pp. 27-30.

<sup>26</sup> Woodbury and Gutheim, *op. cit.*, p. 8.

agency should be able to acquire the land at its "use value" since it was better to have only one agency absorbing these unjustified land costs.<sup>27</sup> With the advent of a federal assistance program this has become largely an academic question, with the nonprofit forces in the ascendancy, but it could become a problem again in the future.

It did not take long to dispel the view that the "write-down" costs of urban redevelopment could be met entirely by the use of cheap public money, although a few early advocates had proposed such an idea. It is true that cheap money—that is, the use of public credit with its low interest rate—can stretch the land assembly dollar to some extent, but it cannot solve the problem alone. If central areas are to compete with fringe lands, if no greater densities than at present are desired, if public borrowing cannot make money available at about 1.6 percent a year to cover both interest and amortization on the average project, then some sort of subsidy is needed.<sup>28</sup> An indication of the size of that subsidy was given by the National Housing Agency in 1945, when it reported: "So far as any national figure can have any validity, it can be estimated that the public would face a write-down averaging 60 to 70 percent of assembly cost, recognizing the wide variations to be expected in practice from site to site, and from city to city."<sup>29</sup>

When the public suddenly discovers that it must foot the bill for the "inflated" land prices of its slums, some persons immediately begin to ask whether this is not simply a way to "bail out" speculators who are stuck with a bad investment. Like all good questions, the answer to this one has two sides. On the face of it, there certainly is evidence that the government is being asked to save certain individuals from the results of their own miscalculations. In some cases it might even be said that speculators were being paid by society for their tactics of ruining urban growth

<sup>27</sup> *Ibid.*, pp. 7-9.

<sup>28</sup> National Housing Agency, *op. cit.*, pp. 17-19.

<sup>29</sup> *Ibid.*, p. 22.

and development. To some, this is little more than a refined form of blackmail. At the very least, the philosophy of free enterprise infers that a man is paid a certain percentage of his investment because he is willing to take a risk. Here the risk was taken, and the investment did not produce, yet the investor asks society not only for the full rate of interest but for a tidy profit in addition. On the other hand, few property owners are willing to admit that their property holdings are worth less than the current market price, especially if the tax assessment is as high as the market price—or higher. As property owners, they are often quite willing to retain possession of their parcels in their present form. It is society and not the present owner that will benefit from the new land use plan, and it is only fair that society pay the regular asking price.

Another train of argument holds that society as a whole is to blame for the blighted conditions of today's communities, and that society must therefore pay the price of rehabilitation. A further practical consideration should be introduced also. A large proportion of the present blighted area is now owned by banks as a result of foreclosures. These banks are built upon the savings of thousands of individual citizens. Any serious depreciation of bank assets by forced sales of vast tracts of this property at less than market prices could have serious effects on the solvency of the banking structure. If it is a government "bail-out" of a bad investment, it is also in great part a "bail-out" of banks, and federal aid to these institutions is nothing new. This is not to imply that large-scale public purchase of real estate ought not to be accompanied by a limitation on real estate prices. Thus far, however, any such limitation has had to depend on the fairness of the courts.<sup>30</sup>

It seems doubtful that the government will ever seize real property for redevelopment purposes, by the right of eminent domain, without adequate consideration of the claims of the current owner for reimbursement at market costs. The great

<sup>30</sup> Greer (cited above, note 4) pp. 118-19.

danger may be that the government will fail to check speculation in areas where redevelopment projects are possible. Present legislation and judicial practice are hardly adequate to cope with this problem. Two fundamental changes in the legal system may be required before any equitable system can be established. The first is the removal from the courts of the power to determine fair value in eminent domain suits. It is more than likely that an administrative commission could make such determinations in the public interests with better success than a jury of twelve good men and true. Second, in order to avoid the necessity of paying a speculator's price for condemned parcels, the states might well enact legislation to the effect that no redevelopment agency could pay a higher price for any land than the most recent public assessment made on that land for the purposes of taxation.

Along with the question of obtaining private land for redevelopment goes the question of the proper disposition of that land once it has been prepared by the redevelopment agency. As already mentioned, most redevelopment schemes envision the actual project development as executed by a private entrepreneur. What is to be done with the land? Is it to be sold or leased? There is, of course, no final answer to this puzzling question. The answer must often depend on specific conditions and circumstances. Most of the advanced thinking on the problem, however, tends to favor leasing, not for any doctrinaire or ideological reasons, but because it seems the most practical thing to do. The main arguments in favor of leasing may be briefly summarized as follows.

First of all, it should be pointed out that large companies have not hesitated to build on leased land. Rockefeller Center stands on land leased from Columbia University. The Chrysler Building occupies a plot owned by The Cooper Union, and the Grant Buildings in the Chicago Loop are set on Chicago Board of Education ground. Indeed, many developers are not interested in land ownership or the risks of land speculation. They expect to make a profit on the construction and operation of a facility, and are

often happy to be relieved of the necessity for financing a land purchase.

There are other considerations involved. The developer will not have to take into account that at the end of the period of payments the land may sell for as much as the total of the amortization payments. Furthermore, if the redevelopment plan is sound, the loss in land value should result only from forces beyond the developer's control, and a public agency might well be expected to bear these risks. If gains are made through eminent domain and the use of public financing, then the community should profit, not the entrepreneur. His profit stems from the facility, whatever it may be. Finally, there must be some consideration for the permanent control of the redevelopment area. There is little sense in clearing slums and eliminating blight at great public expense only to find the same conditions reappearing in twenty-five or thirty years. The redevelopment project should be determined according to a well-conceived urban master plan. Without limiting the developer's return, the community, by use of its sovereign powers, has a right and an obligation to insist that use be in conformity with the plan. With present legal devices, these controls would be easier to maintain through the device of a lease than through outright sale.<sup>31</sup>

No discussion of the problems of financing urban redevelopment would be complete without reference to the fascinating critique of the subject by Henry S. Churchill in his book, *The City Is the People*. He initiates his discussion with the statement: "All the so-called 'Urban Redevelopment' plans for financial aid to cities are aimed at this: how to bridge the gap between an acquisition cost which will keep values up for the owners, assessments up for the cities, and a use-value that will permit a legitimate profit to the builder and operator." All of the answers, he says, involve: a grant of power to the municipality to acquire land for resale or lease; financial aid from the federal government; and the redevelopment of land by private enterprise, subject to municipal

<sup>31</sup> National Housing Agency, *op. cit.*, pp. 14, 31.

control. Society must pay for society's errors of yesterday. The land owner must not suffer. "This might be fair enough," continues the author, "if the fresh start proposed were to offer a new outlook. Unfortunately most of the proposals are such that they would result, in thirty or fifty years, in exactly the same intolerable mess as that in which we now find ourselves." Current redevelopment theories simply ignore half of the problem—the current *ad valorem* base of real estate as the main source of municipal revenue.

Churchill continues by stating that assessments are made on the basis of "hoped for value" of land, not on earning capacity. Theoretically, of course, these high assessments reflect the earning capacity of a center location. Actually, the assessed values of land are so tied up with the constitutional bonded indebtedness of cities and their low ability to raise taxes, that any substantial reduction in assessments would result in municipal bankruptcy. This is, in itself, a contributing cause of blight. It forces local housing authorities to go to the outer areas to build or else to settle for extremely high population densities. The same thing is true of private housing. A fictitious value dictates the intensity of use. While the best land "rots," the pressure is let off in the suburbs, which in turn makes municipal service much more costly. But at the base of the problem is, again, the *ad valorem* tax which freezes a false base on so-called "values" and prevents the readjustment to a rational use.

The state debt limits and maximum tax rates are enforceable legal fictions. A city's services must be paid for and performed. Tax rates are not important. Dollars are. If a tax levy is to remain the same, the rate must go up when the assessed valuation goes down, and vice versa. But when bonded indebtedness is tied to valuation, assessments cannot be reduced without bankruptcy, and if assessments remain at a high level, property cannot change hands, rehabilitation cannot take place, and taxes cannot be collected "except from 'strong' foreclosure holders such as banks." "The circle is as deadly as nightshade."

Churchill is extremely pessimistic, then, over the possibilities inherent in urban redevelopment. He concludes that in all probability the authors of urban redevelopment legislation cannot incorporate the necessary tax systems—occupancy or use taxes—into their bills. Without this, urban redevelopment is little more than a “bail-out” system for the present holders of property, and the conditions which it seeks to cure will inevitably repeat themselves within a few years.<sup>32</sup>

#### *Minor Problems*

The foregoing sections have presented the kinds of broad general problems which have been introduced by the concept of urban redevelopment. At a lower level, there are certain “operational problems” and obstacles which should at least be mentioned. A good deal of light is cast in this area by the comments made at the Chicago Conference of 1948, previously mentioned. Asked to name the most pressing operational difficulties, the conferees suggested these points:

1. Inflated building and management costs. It was emphasized that these should not hamper preliminary work. There is much that can be done in a period of inflation, especially in the field of planning.
2. Veterans' priority over persons displaced from cleared areas in all public housing projects. The “DP's” need priority if any redevelopment is to get underway.
3. The amount of time and money required to apply the process of eminent domain; further study of this is needed.
4. The fear of public housing. The best antidote for this, said many conferees, is a good dose of the facts.
5. The inflexibility of urban redevelopment laws.
6. Public attitudes toward racial segregation and mixture. This, the conference thought, should be dealt with on a local basis. There are two jobs to be done: to teach that the mixing of races in housing projects will not, by all available evidence and

<sup>32</sup> Henry S. Churchill, *The City Is the People* (New York 1945) pp. 96-102.

experience, lower standards; and to educate minority leaders to the fact that redevelopment and housing have a validity of their own, and that they are more than tools to end racial segregation or correct other abuses.

7. Excessively narrow jurisdictions of redevelopment authorities; their inability to operate on a metropolitan or regional basis. This, it was admitted, is part of the larger problem of simplifying local government in metropolitan areas.

8. Opposition from within blighted areas. Such opposition often stems from a failure to consider residents of such areas in efforts to influence public opinion.

9. The relations between the urban redevelopment authority and the city council. A few delegates objected to an excessive interference in details by members of the council.

10. Site selection. This is made troublesome by the lack of comprehensive, up-to-date local plans. "Without such plans it was often difficult to estimate the proper future use of the land, let alone set up useful guides as to density, open spaces, and so forth, for the benefit of the new development. Sometimes the only out was to pick a blighted area of obvious residential or industrial use."

11. The problem of the specific user. Real estate investors are few, and a redevelopment agency cannot afford to clear and hold a site indefinitely. This leads to the practice of finding a specific user before the site is acquired. Such action may be unavoidable at first, but widespread publicity can broaden the possibilities of obtaining competitive bidders. In any case, the agency should have a very clear notion of location and objectives, and it should never allow the investor to pick the land, dictate the terms of its use, or establish his own standards.

12. The problem of competition with other agencies that acquire public land, such as park and street departments and housing authorities. The key to coordination is probably the planning commission, not the redevelopment authority.<sup>33</sup>

<sup>33</sup> Woodbury and Gutheim, *op. cit.*, pp. 13-19.

*Federal Legislation*

Active though financially limited urban redevelopment programs are now possible for cities in the United States as a result of legislation passed by Congress in 1949. Although the financial backing offered to urban redevelopment attempts is so slight that it might be described as experimental, and although this narrow program was further constrained by materiel problems stemming from the Korean War, cities can now for the first time put their redevelopment plans on paper with the reasonable expectation that some may be carried out.

Title I of the U. S. Housing Act of 1949, the Redevelopment Title, was based on more than four years of intensive public and private study. It was designed to fill a serious gap in the national slum clearance program, and to make urban redevelopment operative throughout the nation.

In essence, this is the redevelopment scheme envisioned in Title I. A local agency selects a blighted area, and with the write-down cost shared by the local and federal governments, the agency clears the land and makes it available, by sale or lease, for public or private redevelopment in accordance with the city plan. As in the housing program, the main activity is local, while the major federal contribution is the provision of funds, plus the imposition of conditions to make sure that the program will not fall below certain standards.

Three principal types of federal financial assistance are furnished. First, there are the so-called advance planning funds which must be repaid with interest from monies allotted for the main project. Second, there is the federal loan. This is a temporary loan made to the local redevelopment authority for securing the short-term notes which the authority sells to private investors. It is the capital which is used to assemble, clear, and prepare slum land for resale. Such a loan is to be distinguished from a "write-down" grant. The loan capitalizes the actual redevelopment operation, and there is every expectation that it will

be repaid by proceeds from the sale of land. A long-term (forty-year) loan is available, however, where the authority intends to lease land for civic redevelopment or for public housing; and to finance public facilities needed for the support of new uses of project lands which are open or predominantly open, a ten-year loan is available.

Third, there is the capital grant, an outright presentation of money to offset the write-down costs of acquiring a blighted area. The federal government never bears 100 percent of the burden of write-down. There must be adequate evidence of local incentive and local desire to participate in something more than a "hand-out" program. Therefore the local government must contribute at least one-third of the amount of the capital grant. This may be in the form of land donation, the provision of services, or improvements to the redevelopment area, but the federal government will never go into partnership with a local agency on anything less than a two-to-one basis.<sup>34</sup>

Congress authorized the expenditure of not more than one billion dollars over a five-year period for the loans to redevelopment agencies, and it set one hundred million dollars per year for five years as the amount that could be expended for direct grants. In addition, it insisted that not more than 10 percent of the funds be spent in any one state. The types of projects which might be accorded federal assistance were limited to: the clearance of a slum or blighted residential area; the clearance of a non-residential blighted area for residential use; the acquisition of a predominantly open or sparsely settled, poorly planned area; the acquisition of an open area for residential use. In the last category, only the loan features are available.<sup>35</sup>

There has been some criticism that the federal program is excessively concerned with the housing features of redevelopment, that it has been too restrictive in its insistence that all redevelopment projects begin with a residence or end with a residence.

<sup>34</sup> 42 U. S. Code Annotated, 1452-1454.

<sup>35</sup> *Ibid.*, 1452-56, 1460.

In reply it can be said that the authors of the bill were well aware that redevelopment had possibilities other than reshaping the American housing pattern, but they saw housing as the number one problem, and feared that redevelopment funds might be frittered away on other worthwhile but less crucial projects. The justification for a restriction to residential use was stated plainly in the Senate Report on the bill, where it was written that the primary purpose of federal assistance is to "help remove the impact of the slums on human lives rather than simply to assist in the redevelopment or rebuilding of cities."<sup>36</sup>

The authors of the Redevelopment Title took a broader view of the redevelopment problem faced by most cities than to be satisfied simply with the expenditure of large federal sums. They knew that certain steps would have to be taken at the community level, and for that reason they made the grants conditional on the performance of certain local activities. There is no question but that the Act places heavy responsibilities on local governments. First, the city has to prove its need for federal aid. It has to agree to fulfill local financial obligations. It is admonished to carry out all of the undertakings as economically as possible, and it is held accountable for all expenditures and property entrusted to it. Title I requires, as a prerequisite to any grant or loan, the existence of a general or master plan for the development of the locality as a whole. The specific redevelopment project has to be approved by the governing body, and has to conform to the general plan. Maximum opportunity is to be afforded to private enterprise for redeveloping project areas, and before it can obtain funds, the local governing body is obliged to make a finding that the redevelopment plans provide such an opportunity to private enterprise. The redevelopment authority has to concern itself with a feasible method of relocation for the families displaced by its projects, and in its redevelopment contract it cannot permit the use of any restrictive covenants on any project land.

<sup>36</sup> Senate Committee on Banking and Currency, 81st Congress, 1st Session, *op. cit.*, p. 6.

The federal administrator can set up requirements to prevent the payment of excessive prices for the acquisition of sites, and these rules have to be observed by the authority. The authority is cautioned that the sale or lease of land should be at fair value, and the purchaser or lessee is obliged to devote the project to its intended use and to comply with all other conditions.

Finally, before approving a grant or loan, the federal administrator is required to consider the extent to which a locality has taken steps to encourage housing cost reductions and to prevent the spread or recurrence of blight or slums. These steps include: the modernization of building codes and other ordinances relating to the use of new materials and land planning; the elimination of restrictive building practices; the improvement of health and safety standards; the development of well-planned neighborhoods and intelligently integrated neighborhoods; and the establishment of planning on a state or regional or unified metropolitan basis.<sup>37</sup>

The impact of federal financial backing for urban redevelopment is only beginning to be felt by American communities. Early reports indicate that a long period of planning is ahead before tangible results will see the light. In the cities, those persons most closely affiliated with the redevelopment process constantly point out that its complexity cannot be underestimated, that a great deal more study and research is needed before the method can be applied with anything more than an experimental approach. The problem of finding and selecting a good redeveloper has been especially perplexing to many communities. There are distinct political difficulties inherent in the arrangement whereby the federal government deals directly with a local authority, bypassing not only the states but the regularly constituted municipal administration as well. Despite the enigmas, however, there is great promise of future benefit through the widespread application of the urban redevelopment technique.

<sup>37</sup> 42 U. S. Code Annotated, 1441, 1452, 1455, 1460.

## CHINESE ASSIMILATION IN INDONESIA<sup>1</sup>

BY JUSTUS M. VAN DER KROEF

AMONG the most pressing problems that Indonesia faces is the heterogeneous character of its society. The variety of racial minorities and ethnic groups in the country is a distinct impediment to national unity. Even for foreign minority groups that have been in the archipelago for centuries, assimilation problems loom large—perhaps the best example being the Chinese, for whom the difficulty is the greater because of the continued interest of various Chinese governments in the overseas Chinese in Southeast Asia. It is abundantly clear that the government of the present Chinese People's Republic has waged a continuous campaign for the loyalty of Indonesian Chinese ever since its advent to power, and with considerable success. It is equally evident that the receptivity of the Southeast Asian Chinese to this campaign promises to be a major obstacle to the achievement of stability in this area.

The Chinese are the largest minority in Indonesia. They have had a rate of growth more rapid than any other population group over the past seven decades. In 1860 there were 221,000 Chinese, and in 1930, when the last census was held, they numbered 1,233,000, while at the present they have been estimated at over 2,000,000. As in previous years, the island of Java has the largest number of Chinese, but it is closely followed by Sumatra. Most of the Chinese live in towns (59 percent in 1930) and, as a result of unsettled conditions in the interior, there has been a steady urban migration since the revolution. The areas with the largest Chinese colonies are those in and around cities like Djakarta, in

<sup>1</sup> An extensive bibliography, consisting largely of reports and monographs published in Dutch, is available for this article, and the author will be glad to forward copies to those who request it.

Semarang and Surabaya in Java, on the tin-producing islands of Bangka, Billiton, and the Riau archipelago, on the east coast of Sumatra, roughly between Medan and Palembang, and in the coastal area of the island of Kalimantan (Borneo).

Despite heavy and often illegal immigration since the close of World War II, the great majority of Chinese are Indonesia-born (79 percent in 1930); these are *peranakans* ("children of the country"). But in Sumatra, Bangka, Billiton, and other areas traditionally dependent on contract labor the group of *singkehs* ("newcomers") predominates; in Sumatra, for example, 80 percent of Chinese adults over twenty were born outside Indonesia. Especially during 1900-30 *singkehs* increased rapidly, and with them the young age group. In 1930 the number of Chinese children whose fathers were born outside Indonesia reached 100,000, and there is reason to believe that the figure has sharply increased since then. Because of the shortage of Chinese women (637 women for every 1000 men in 1930) intermarriage with Indonesian women has long been common. Today, as in previous years, Chinese breadwinners in Indonesia are strongly concentrated in trade and commerce, though substantial numbers are employed in agriculture (west coast of Kalimantan, the environs of Djakarta), in industry (Pondok Pinang), fishing and related crafts (Began Siapiapi), mining (Sumatra), and market gardening (Java).

Many valuable studies exist on the position of the Chinese in Indonesia's colonial period, but not on their status since Indonesia proclaimed her independence at the end of World War II. With the above demographic data as background, this paper will attempt to outline some of the present-day problems confronting the Chinese minority, and the reasons for its continued orientation toward the various regimes in China itself.

Before proceeding to this analysis it should be mentioned, however, that the attainment of Indonesian independence has made the problem of Chinese assimilation even more pressing. Under the Dutch colonial regime the Chinese were in the majority of cases placed in a special legal category, that of "Foreign Orientals," as

distinct from "natives" and "Europeans." Actually, European law had come to be applied to the Chinese to a large extent before World War II, and it was not difficult for an educated Chinese to obtain completely the legal status of "European." But the differentiation remained as a matter of principle. Not a few Chinese felt this to be an unwarranted discrimination, and agitated for full equality with the European group. Yet their different legal classification did permit a more effective preservation of traditional ways, and encouraged their existence as an unassimilated group—something that was appreciated by not only the more orthodox Chinese elements. There is much evidence for believing that the prewar desire for legal equality on the part of the Chinese was motivated by political considerations rather than by social or cultural objectives.

The leaders of the independent Indonesian state have abolished the different legal classifications of the colonial period, but in so doing they have not necessarily facilitated the assimilation of the Chinese minority. For one thing, the plural character of Indonesian society cannot be altered overnight, even though most Chinese are now classified as *warga negara* (citizens). The native Indonesian has more than once expressed his belief that he regards only his own group as true *warga negara*, and his ancient suspicion of the Chinese has not necessarily diminished. In the words of one Indo-Chinese: "Although our constitution knows only one kind of citizenship, the population of Indonesia still consists of population groups, which are as far apart from one another as in the previous colonial period. One still feels, thinks, and acts too much as native Indonesian, European, Arab, or Chinese, even though one is called *warga negara*. But also among the native Indonesians, provincialism still predominates too much."

More important, however, than the pluralistic structure of society as an impediment to assimilation are certain social-cultural, economic, and political traditions and practices within the Chinese group which make for exclusiveness. It is these three types of problems that will now be considered.

## I

For the purposes of this analysis the social and cultural factors impeding assimilation may be divided into the following categories: first, the position of the Chinese in an Islamic country; second, the heritage of colonial segregation; third, the educational desires and policies of the Indonesian Chinese; fourth, the traditional Chinese family structure; and fifth, the persistence and popularity of the Indo-Chinese language, literature, theater, and press, even among those Chinese whose education and political outlook make them closest to the philosophy of national unity and state-directed assimilation held by many contemporary Indonesian leaders. The problem is by no means merely the traditional sense of superiority and the ethnocentrism of the Chinese.

The Chinese is not a religious fanatic, and the *peranakan* Chinese in Indonesia exhibits great eclecticism in religious practices. As a result, intermarriages with those of other faiths, and also conversions to other religions, have been greatly facilitated. Yet in the countries of Southeast Asia, with their large permanent Chinese minorities, attitudes toward the *peranakan* show certain variations in accordance with the predominant religious faith in the country. In Malaya and Indonesia the indigenous Moslem populations are more antagonistic toward the Chinese than are the Buddhist or Christian societies of Burma, Thailand, and the Philippines. Intermarriages take place in all these countries, but in the former there is less readiness than in the latter to accept the Chinese, even though he is a *peranakan*. As a result, the Chinese group tends to be more self-contained in Indonesia and Malaya than perhaps elsewhere in Southeast Asia. The reason for this negative attitude on the part of the Indonesian Moslem population lies probably in the character of Islam itself in Indonesia, for there it tends to be orthodox and uncompromising, thus fostering a puritanical attitude toward the religiously eclectic Chinese.

Since adherence to Islamic orthodoxy is a source of social prestige in Indonesia, the more flexible Chinese often arouses sus-

picion, if not contempt, when, after his obeisances at the family shrine have had no effect, he easily repairs to the shrine of a nearby Moslem saint to ask assistance, hoping for better luck there. The same response is probably aroused by *peranakan* burial ceremonies, funeral groups, and marriage feasts, where Moslem and Hindu-Javanese rituals and concepts are, with the utmost facility, blended with traditional Chinese and Confucianist formulas and practices. This eclecticism, long denounced by uncompromising Moslem schoolmen in the Indies, makes the *peranakan*, let alone the *singkeh*, not infrequently an object of ridicule.

And the situation is not improved by the fact that the *peranakan* in particular is often entirely under the sway of indigenous Indonesian pantheistic and animistic concepts. He is frequently influenced, for example, by such autochthonous notions as *kualat* (misfortune as a punishment), *redjeki* (good luck) or *djodo* (a higher fate). Like the superstitious Indonesian he does not cut his hair or his nails after dark. He buries the hair and the nails that have been cut; he attaches magic powers to human and animal blood; and, should a falling leaf touch his body, he hastens, like any tradition-bound native, to wet the leaf with spittle. In the burial ceremony in an important *peranakan* family the eldest male will solemnly intone a Javanese mystic litany of the dead.

The lingering after-effects of colonial segregation unquestionably constitute another impediment to assimilation. At first segregation involved the ghetto system. From the eighteenth century, and in particular from 1740, when mutual antagonism and suspicion of the Chinese led to a bloody massacre, Chinese residents of Indonesia were quartered, though intermittently, in special sections of cities. This principle was reaffirmed in 1835. As late as 1900 the Chinese were supposed to live only where there were Chinese quarters, to which they were expected to return by sundown. Freedom of movement did not exist; special passes were required if a Chinese wished to travel even a mile from his dwelling.

In 1904 and in 1910 the system was relaxed to such an extent

that separate passes for each journey were no longer necessary, and travel along major roads no longer required a permit; subsequently, freedom of movement, and to a more limited extent freedom of settlement as well, became a reality. But this occurred less than three decades before the outbreak of World War II. At that time only the younger generation of Chinese had never known the despised confinement system. To the older folk that system meant that a distrustful government regarded them as a distinct minority, and they acted accordingly.

Judicially, too, the colonial system fostered seclusiveness. By the outbreak of World War II only criminal procedure was still different for the Chinese, as European commercial, civil, and, for the most part, family law had been made applicable to them. The Chinese minority justly felt, however, that the concessions had been granted slowly and only grudgingly, and that the citizenship law of 1910 still made their legal status that of second-class citizens. There can be no doubt that over the years the colonial government steadily raised the Chinese minority to a position of political and legal equality with the dominant European group, but there is likewise little question that this emancipation often lagged far behind the wishes of the Chinese community. Even younger *peranakans* could not help feeling that in their own homeland they were treated as a foreign enclave, and that the injustices of the past (such as the special business taxes levied on Chinese) and of the present (the seeming indifference of the government to their education) warranted either an attitude of aloofness or one of strident and collective agitation for greater equality.

The colonial government's policy of civic and judicial differentiation, however justifiable, and the racial discrimination in employment practices and social life, had the effect of turning the Chinese even more to their old land of origin in their cultural and political orientation. China's regeneration during the early decades of this century deeply influenced the loyalty patterns of Indonesian *peranakans*, and the younger generation of Western-educated Indo-Chinese were by no means the least conspicuous

in voicing their pride in the new China. As a result, the *peranakans'* political and social sensitivity increased.

Modern colonial policy sharpened rather than softened the contours of a divisive plural society in Indonesia. The government's refusal to foster inter-minority relations among the various ethnic groups in the country, on the grounds that this process "should be left to the natural forces living in society," meant that the Indonesians themselves retained their strong traditional anti-Chinese sentiments, and that distrust and parochialism persisted in their dealings with foreign minorities, as it has to this day.

Perhaps at no point was the attitude of the colonial regime so clear as in its educational policy toward the Chinese. China's awakening in the present century, and the continued and active interest of China's revolutionary government in the Chinese of Southeast Asia, served to underline the abysmal lack of any public educational establishment for the Chinese in the Netherlands Indies. The result was that the Chinese, tired of waiting, themselves took their education in hand, and the majority of *peranakans* came to be trained in private Chinese schools with a curriculum oriented not toward their homeland but toward China.

Since 1900, when the first "modern" Chinese school was established in Djakarta, these private schools have grown steadily. In 1908 they numbered 75, with 5500 pupils and 150 teachers. By 1949, despite the growth of public schools, the number of private Chinese schools had risen to 724, with a total of 172,608 pupils and 3835 teachers. Recent estimates place the number of schools at the moment at 800, with at least 250,000 students—which means that more than four-fifths of the children of Chinese-origin citizens are attending schools entirely oriented toward the interests of a foreign power, under a curriculum that is virtually free of any government supervision.

The educational training in these schools is strongly Chinese nationalist in character, tending to underline the position of the overseas Chinese as a distinct group whose ultimate loyalty belongs to China. At present there can be little doubt that most such

schools are under strong Communist influence, and few non-Communist teachers seem to be available. The attitude of the Indonesian government, like that of the preceding colonial government, appears to be one of near indifference to this situation. In 1951, for example, the government declared that "every group is free to open private schools, provided that the Indonesian language is a course in the curriculum." It said that public schools for the benefit of the children of Indonesian citizens would be established "as far as possible," but also stated that the ratio between Chinese students attending private schools and those attending government-supervised public schools was 5 to 1, and that, in the former, education "generally breathes a purely Chinese spirit." But it has not felt it necessary to counteract this situation. Recent proposals looking toward greater supervision have not as yet been, or are being inadequately, applied.

The agitation for Chinese schools crystallized the confused aspirations of the Indo-Chinese into a distinct Chinese "movement," and provided a rallying point for the development of many Chinese social-political organizations in Indonesia (Tiong Hua Kwee Koan, Siang Hwee, Chung Hwa Hui, Tiong Hua Hak Tong), the majority of which were nationalistic and seclusive. In the schools instruction in Chinese language, customs, and dynastic history constituted the greater part of the curriculum. Private Chinese trade associations and fraternities also provided this kind of training for the children of their members, and even in the remoter areas of the archipelago these so-called "wild" schools could be found. The small city of Samarinda, on the east coast of Kalimantan (Borneo), which at the time (1925) had a settlement of not more than three hundred Chinese at the most, had a private school of this kind, described by a Dutch jurist as follows: "Many hours there are spent in singing lessons, where mostly [Chinese] national songs are sung. The boys go to school wearing caps of their uniform, and on feast days, like the birthday of Confucius or the anniversary of the [Chinese] republic, they march with toy rifles on their shoulders, accompanied by their teachers."

Contact between China and the Indo-Chinese school associations was constantly kept alive. As early as 1903 the noted Chinese reformer, Kang Yu Wei, visited the Tiong Hua Kwee Koan school in Patekoan, while mandarins visited other private schools. Ultimately the Chinese government established in Nanking a special school for the children of overseas Chinese. "All possible facilities were made available to these students from afar, and sometimes they were honored and favored in such a manner that some policemen in Nanking saluted when they encountered these overseas 'students.'" Furthermore, the constitution of the first Chinese Republic (1912), basing citizenship on the principle of *jus sanguinis*, made all Chinese abroad and their descendants citizens of the Chinese state. And in November 1946 the Kuomintang called a special congress for the purpose of considering the "Reconstruction of Education for the Overseas Chinese in the Southern Pacific." This body drafted a plan which called for an educational system for overseas Chinese similar to that of the Chinese Republic, urged instruction in "the language, history, and geography of China" as well as in "group training," and provided for study trips of these students to China.

The continued dependence of Indo-Chinese school leaders on the Chinese government is well exemplified by an anecdote told recently by a Chinese official of the Indonesian educational office. Upon asking Chinese school leaders in Indonesia about their wishes regarding a possible reorganization of Chinese schools in Indonesia, he received the reply, "We can't tell you. Ask the RRT" (Republik Rakjat Tiongkok, or Chinese People's Republic).

Alarmed over such developments, the colonial government decided to provide public elementary, and later teacher, education for the Chinese. In 1908 the first Dutch-Chinese schools were opened, and by 1930 they numbered 130. Yet to the Chinese the government's efforts seemed only half-hearted.

For one thing, government expenditures for education declined after 1930 (from 60 million guilders to 27 million during 1929-37), and concurrently the number of Dutch-Chinese schools

decreased; by 1937 there were only 61, plus 45 government-subsidized schools. It has been estimated that fully 75 percent of Chinese taxpayers were unable to send their children to Dutch-Chinese schools in 1936, and that less than half of the Chinese children between the ages of six and fourteen were attending any kind of school in Indonesia (private Chinese, Dutch-Chinese, or Malay-Chinese). The demand for schools, both Chinese and Dutch, far exceeded the supply, and one result was that two-thirds of the Chinese in Java in 1930 were illiterate.

Also, the admission policy left much to be desired, the chief prerequisite of admission to a Dutch-Chinese school being "some degree of social standing." Chinese demands that the schools be opened to all Chinese children, regardless of "social standing" or background, were denied on the grounds that there were not enough teachers and that the Chinese group was too heterogeneous in culture and traditions to make possible a uniform school system. Government-trained Chinese teachers were indeed few; it was claimed that most Chinese graduates preferred a more remunerative form of employment. The curriculum, too, failed to reflect the desires of many Chinese, for Dutch was used exclusively as the medium of instruction. A demand that instruction be given in Chinese was first denied; later such instruction was instituted, but after school hours, and it was subsequently discontinued because the government claimed lack of interest.

Thus public educational policy was another factor promoting the traditional differentiated existence of the Chinese minority. And today it still provides the *peranakan* Chinese with additional grounds for an unassimilated way of life, leading them to the attitude that if their homeland treats them as second-class citizens they will close ranks and seek strength in their own resources. An Indo-Chinese official, who recently made an inquiry to find why Indo-Chinese parents continue to send their children to private Chinese schools, has found one of their arguments to be that uniform education of all children in a single public-school system does not necessarily make good citizens; only with the disappear-

ance of discriminatory practices against the Chinese, these parents contend, "will we ourselves become good *warga negara*." Thus continuing distrust and group rancor provide a major impediment to assimilation. As one writer has put it, "The undesirability of the present situation is not so much that our *warga negara* of Chinese origin prefer Chinese education, but that they prefer this despite the fact that the interests of their children lie in Indonesian education." Communist influence in the present Indo-Chinese schools has not altered this preference; parents apparently prefer seeing their children educated by Communists in a Communist atmosphere to seeing them grow up entirely ignorant of their ancestral language and ways.

The *peranakan* Chinese finds himself in a dilemma. Feeling insecure and aware of the popular mistrust and longstanding discrimination against him, he seeks refuge in the organizational strength of his own ethnic group, itself backed up by the new prestige of his ancient land of origin, in whose regeneration he takes an understandable pride, with which he keeps in touch, and which he expects to help him strengthen his position in Indonesia. On the other hand, he is aware that such an attitude of seclusiveness cannot but give further grounds to the suspicion that he really is not a good *warga negara* and does not belong in the country. Yet he feels too uncertain to abandon his group and really "go Indonesian," even if his pride in his own national culture would allow him.

This problem is illustrated also by the position of the Indo-Chinese family and clan today. Family life and traditional familial relationships are in a state of flux, and the family as an institutionalized form of consanguinity is disintegrating. The patriarchal authority of the oldest male has steadily declined; women and children enjoy greater extra-familial freedom; the religious foundation of the Chinese family, with its concept of fatherhood as a gift of heaven, has withered, and with it the ancient cult of ancestor veneration; sons are less and less willing to submit piously to their father's will; the relationship between the sexes is freer. Yet

this disappearance of the traditional self-contained Chinese family unit has not resulted in increased assimilation with other population groups.

For one thing, among the younger, more "Westernized" Chinese there is by no means a more extensive intermarriage with the Indonesian population group. The educated *peranakan* generally prefers a marriage partner from his own minority, though not necessarily the one designated by the head of the family. It seems to be primarily the untutored *singkeh* who will establish a relationship with an Indonesian woman—a connection that may or may not be eventually legitimized. A *peranakan* Chinese of some substance is likely to retain the traces of the ancient familism longer than the *singkeh* pauper, who still has his fortune to make. In other words, with wealth and education there seem to come a new respect for ancient Chinese culture and, with notable exceptions, an even stronger orientation toward China itself.

Also, the decline of the Chinese family system has not notably served to bridge the gap between *peranakans* and *singkehs*. The former tend to frown on intermarriage with the latter, unless the newcomer is wealthy or enjoys some other form of prestige. Each group entertains sentiments of superiority toward the other. The *peranakan* is generally wealthier; he "has arrived" and knows his way around, and regards the *singkeh* as a proletarian without connections. The latter, on the other hand, feels superior because he is more purely "Chinese," because he has not lost the ability to speak Chinese properly, as so many *peranakans* have, and because he believes that in leaving his family and China for only a short while he has not demonstrated any lack of piety, unlike the *peranakans*, who may have severed all family connections in China. Thus intra-ethnic differentiation and seclusiveness tend to persist in spite of the weakening of familial bonds and the traditional extended family structure.

Finally, declining familism has only slightly affected the familial basis of Chinese business enterprises in Indonesia. In Chinese business life one notes over and over again how the personal and

familial element predominates at the expense of more objective, rationalized methods. Clan and family businesses still abound, even though formal family ties have weakened; considerations of familial piety, blood relationships, and traditional conservatism weigh more heavily in the balance than sound business principles. Chinese corporations in Indonesia, even the large modern ones, show strong evidence of the same ethnic seclusiveness that marked them half a century ago. Thus, though the formal social aspects of Chinese familism in Indonesia have declined, its economic aspects are still vigorously evident. Since the Chinese, whatever business or form of employment he happens to be in, first of all seeks contact with other Chinese in the same line of work, one finds such organizations as the Chinese Chamber of Commerce of Djakarta; the strongly self-protective and self-supporting associations of Chinese moneylenders; and—among the tin laborers of Billiton and on the estates of eastern Sumatra—the semi-autonomous Chinese work crews, with their own headmen and regulations. This economic exclusiveness is all the more an impediment to assimilation because it is exhibited by the Indonesians too. Economic pluralism enforces social pluralism.

It is in language and in literature, the theater, and music that Indo-Chinese patterns of assimilation appear to be the most extensive, though even here distinct features of the minority culture predominate. These unique Indo-Chinese culture traits probably began to develop many centuries ago, when the Chinese first settled in the archipelago in any number. An interesting example is the language, the so-called Chinese-Malay, which is a form of esperanto for the literate Chinese in the Indies. This tongue is not the modern *Bahassa Indonesia*, the national Indonesian language. It appears to have had its start as the dialect spoken in Djakarta, the city with the largest colony of Chinese in the country, but countless Chinese (especially Hokkian) and Malacized terms and expressions were added.

Chinese-Malay attained literary importance, quite apart from the Malay and Indonesian languages, through the efforts of Indo-

Chinese linguists and writers, journalists, and translators. The Indo-Chinese community appreciated their work all the more because a good many *peranakans*, after long residence in the Indies, were no longer literate in Chinese, yet were interested in the cultural traditions of their land of origin. Between 1900 and 1920, at the same time that the Chinese movement in Indonesia became active, numerous Chinese classics were translated into Chinese-Malay, and "sold like hotcakes." In the course of time a large Chinese-Malay literature has come into existence, containing not only Chinese classics but also translations of some modern Western writers (Hamsun, Hardy, Maeterlinck, Galsworthy), as well as popular dime novels.

Traditional Chinese tales were translated also into Javanese and Makassarese dialects, and in Bali a Chinese love story even became a popular Balinese folk tale. And the Chinese language itself made its way into the Malay language, and hence into the modern *Bahassa Indonesia*—particularly terms describing food or forms of work, like the words for sprouting beans, tea, soy-bean yeast, laborer, business corporation, and possibly money (*oewang*).

Of great significance in giving the modern Indo-Chinese community its self-contained character has been the growth of the Chinese press. The oldest Chinese paper, *Sin Po*, founded in 1910, closely reflected from the beginning the new aspirations of the Indo-Chinese community. After 1912 and the proclamation of the Chinese Republic, it became a violently Chinese nationalistic organ, but it also had close connections with the Indonesian nationalist movement. It early showed its sympathies for the Chinese Communists, and at one time, when Chiang Kai Shek seemed more intent on destroying Mao's forces than on saving China from the Japanese, it unleashed such a bitter barrage against Chiang and the Kuomintang that *Thien Sung Yit Po*, a Kuomintang organ in Djakarta, did all in its power to boycott *Sin Po*. When the Chinese Reds agreed to help Chiang defend their country against the common Japanese aggressor, *Sin Po* at once voiced its support of Chiang. During the Japanese occupation

most of the *Sin Po* staff was interned, but after the war it reappeared and its renewed support of Mao was obvious from the start. At present *Sin Po*, both in its Chinese and its Chinese-Malay edition, "stands 100 percent behind the Chinese People's Republic," and in this respect it joins hands with the equally left-of-center paper *Shen Hwo Pao*, which began to appear after the war.

Another Chinese newspaper in Indonesia, *Keng Po*, financially closely allied to *Sin Po*, was at first also a warm supporter of Mao-Tse Tung, to such an extent that Mao even sent it a letter of appreciation. Since the establishment of the Chinese People's Republic, however, *Keng Po* has become more critical of the Red regime, and it has editorially accused the Chinese Communists of following Moscow's lead too closely—though this should not be taken to mean that *Keng Po* is any the less pro-Chinese (and pro-Communist) than its counterpart *Sin Po*.

It is perhaps worthy of note that influential Chinese journalists have obtained posts in the Indonesian government, including some who belonged to the *Sin Po* staff. It is also significant that there is no anti-Communist Indo-Chinese newspaper of the size and scope of *Sin Po* and *Keng Po*. The smaller Chinese organs are less influential or tend also to follow the Chinese Communist line. Financially the Chinese papers are a success. Recently they have been making increasing use of the Indonesian language, rather than the Chinese or the Chinese-Malay, probably as a concession to local nationalist sentiment. They are a particularly strong factor in keeping most of the *peranakan* element oriented toward China.

The traditional Indo-Chinese theatrical form revolves around a performance of wooden puppets dexterously manipulated, with stories that are a curious blend of the tales of the classic Javanese shadow theater and Chinese situations and characterizations. These are the most popular form of folk theater among the older *peranakans* and also among some Indonesians. Classic Chinese theatrical performances, principally a reflection of ancestor veneration, are still given, though recently modern Chinese-Malay plays

have come into vogue. These employ Chinese sets, music, and costumes, but are written in Chinese-Malay or in Indonesian and have "modern" plots; also many Chinese classics are performed in this new style.

At the turn of the last century an Indonesian-Eurasian form of street opera had a Chinese counterpart, but the latter is rarely seen nowadays, though the interest of the Chinese in Indonesian music has by no means declined. In East and Middle Java there are Chinese who are past masters at playing the *gamelan*, an indigenous xylophone, in concert with more traditional Chinese instruments. Before the war the present writer was privileged to attend a performance of such a Chinese-Malay orchestra (consisting of two *gamelans*, two three-stringed banjos, a flute, and drums and cymbals) at the home of a wealthy Chinese merchant in the city of Madiun in East Java—an occasion for which Chinese had come over from as far east as Banjuwanggi and as far west as Djokjakarta. The music had a character all its own, being neither completely Indonesian nor completely Chinese, but there could be little question about the enthusiasm with which each piece of the repertoire was received.

## II

The Indonesian enmity for the Chinese and discrimination against them are traditionally ascribed largely to the unscrupulous rapacity of Chinese businessmen, itinerant traders, and moneylenders, who since the days of the Dutch East India Company have constituted the indispensable link between the subsistence village economy and the capitalist-oriented economy of the European elite. Colonial policymakers themselves were from time to time convinced that the Chinese was a leech on the prostrate body of the Indonesian peasant. At the turn of the previous century, for example, when a new "ethical" policy of native advancement was promulgated, the Chinese in Indonesia came to be regarded almost as "public enemy number one," as one Indo-Chinese has put it. And there were Dutch officials who apparently believed that "pestering the Chinese

was the same thing as protecting the native." Matters came to such a pass that in 1904 the government even issued a special circular to its officials in the field ordering them to give the Chinese decent treatment. The evil economic reputation of the Chinese is often undeserved, but it does constitute another impediment to their complete acceptance in Indonesian society.

Until the Indonesian revolution the economic position of the Chinese was to a large extent determined by the structure of colonial society, in which two factors were of paramount importance: the Dutch policy of indirect rule and indirect contact with the Indonesian producer; and the existence in the same country of two dissimilar economic spheres—the highly organized, full-blown capitalism of Western estate production for export, and the village-centered, subsistence production of the Indonesian peasant. Before the coming of the Dutch the Chinese had been actively involved in overseas trade with Asiatic ports from Canton to Gudjarat, but the rise of the colonial period caused a shift in their economic methods, forcing them to take up the position of intermediaries between the Dutch and the peasantry in the Indonesian interior. Thus the familiar figure of the Chinese middleman—buying the crop from the peasant producer, advancing him credit, making use of the ever-growing cash needs of the dependent villager, and then selling his crop to the traders—came into being as a result of Dutch commercial methods, in which the monopoly of the East India Company over trade in the East Indies was a decisive element.

In the nineteenth century, with the advent of private European enterprise, the intermediary position of the Chinese became even more firmly established, since they acted as go-between in the sale of salt and opium and in the buying up of such commodities as sugar, tobacco, coffee. Also, they became the government's chief tax farmers, and later continued to make fortunes as holders of opium and pawnshops and gambling houses. Government revenue from gaming, opium, and excise taxes, collected through Chinese, rose sharply in the latter half of the nineteenth century,

and the Chinese consolidated their distributing trade to such an extent that they are said to have been the vital link in every transaction in which the natives sold to Europeans or bought from Europeans.

With the developing administrative apparatus, Chinese also became clerks, accountants, and supervisors. Some made names as artisans; others virtually took over the native cloth industry; still others became country squires, as private estates came into their possession. With the development of mining industry and estates on Sumatra, new opportunities were created for contract laborers, and Chinese immigrants arrived by the hundreds. Before World War II, notwithstanding European competition, Chinese were successful in establishing large import-export corporations, factories, and even a bank or two of their own. Their industry did much to develop Indonesia's many resources.

Most pernicious, however, was the hold of the Chinese on the peasantry, especially in Java. Through their moneylending activities and their exorbitant interest rates they held much of the peasantry in a state approaching debtor bondage, notwithstanding later regulations against usury. The new policy of native advancement in the present century did not change this situation; the Chinese remained the chief middlemen retailers, and as the cash needs of the Indonesian increased, they stood always ready to fill those needs for a price. In the opinion of most students there can be little doubt that their greed for gain and their often harrowing exploitation of the hapless peasant made their name accursed through the length and breadth of Indonesia.

The question to which insufficient attention has been paid is whether Chinese operations could have been different under the existing conditions. The Dutch policy of indirect rule and indirect contact with the agrarian producer made a middleman inevitable, and frequent official disregard for indigenous welfare left the Chinese with an open field. Moreover, the absorption of the peasant into the world economy, his unfamiliarity with the laws of that economy, the "make haste slowly" policy of emancipation,

the government's persistent encouragement of indigenous social and legal structures—all this placed the Indonesian in a position of ambiguity and uncertainty in a changing society. The usurious transactions of the Chinese in this situation have been generally denounced, but it has not always been understood that the Chinese served as virtually the only guide for the peasant through the labyrinth of the money economy, and that in view of the peasant's traditions of subsistence communalism, his disregard for the needs of tomorrow, and his continued unfamiliarity with and resistance to highly rationalized and intensive production methods, the Chinese lender was indispensable to Indonesian rural society.

A rationalized use of money is traditionally alien to the peasant's mentality. He views money not as a convenient economic tool or even as a medium of exchange, but as a static and cumbersome commodity that he periodically needs. When he sells part of his crop he speaks of *beli uwang*, literally "buying money," a phrase that well illustrates his attitude. Given such a frame of mind on the part of the peasant, the Chinese moneylender becomes something of a friend in need, who does not try to "give him an argument" or "educate" him or change his accepted ways, as government credit agents tend to do. The impersonal character of the official bank tends to repel the peasant even more. In addition, the need for money may strike him very suddenly and acutely, and this immediate need the scattered loan institutions often cannot meet. "Only the moneylender with his one-man business can do that: he or she knows every villager by reputation, knows the credit each is good for, may be called on for aid at any hour of the day and within easy distance, demands no formalities but helps without delay, lends even the smallest sums, has no objection to accumulation and renewal of debt (rather the reverse) and is prepared to keep and treat the business confidential." As buyer and seller of the marketable crops of the peasant, the lender accepts payment in kind and makes superfluous the cumbersome money transaction.

Furthermore, there is considerable ground for questioning whether the credit practices of the Chinese are a sufficient reason

for the hostility they endure among the Indonesian masses. The interest rates charged do seem usurious from a Western point of view, but the risks of the lender are generally far greater than those that official credit institutions would be willing to take. Money is often lent without collateral, with little possibility of legal redress upon default, with greatly varying interest rates tailored to individual need, with little or no endorsement. Westerners are too easily inclined to brand the Chinese lender as a usurer. As an expert on Indonesian credit problems has said, "in many cases it is evident that after covering the often high risks involved, and after subtracting the relatively very high costs, especially of smaller credit, there often remains little more than a modest return for the 'usurer.'"

While commerce and trade are the major economic interest of the *peranakans*, it would be a mistake to disregard their operations in other fields. The accompanying figures show the percentage distribution of Chinese breadwinners, both *peranakans* and *singkehs*, among various types of employment, according to the latest census. It is important to note that the Chinese in Indonesia

	Born in Indonesia		Born Elsewhere	
	Men	Women	Men	Women
Primary production, incl. agriculture and mining	21.7%	13.2%	36.2%	23.7%
Industry	14.8	20.5	22.2	19.2
Traffic and transport	5.7	0.5	1.6	0.8
Commerce	44.1	54.2	32.1	37.5
Other, incl. professional and white-collar work	13.7	11.6	7.9	18.8

have proved to be good farmers (West Borneo), market gardeners (environs of Djakarta), and fishermen (Sumatra). The diversity of their enterprises emasculates the charge that they are in Indonesia only to reap gains through sharp and nefarious lending practices. The prosperous tin-mining industry of the Riau archipelago and many estate enterprises in Sumatra could not have flourished as they have without the *singkeh* contract laborer; as

the tabulation shows, a large proportion of *singkehs* are employed in the development of the country's natural resources.

Nor can it be said that the income of the Chinese, in relation to that of the total number of breadwinners in other population groups, has been excessively high. In 1937, for example, the numbers of Indonesians, Chinese, and Europeans with annual incomes of 6000 guilders (about \$2500) or more stood in the relationship of 1 to 5 to 24, while the standing of these three ethnic groups in the total population was 250 to 5 to 1. In 1939 those with taxable incomes of 900 guilders (about \$330) or more per year constituted 35 percent in the total European group (about 300,000), but less than 6 percent in the total Chinese group (estimated at about 2 million), and only 0.12 percent in the total Indonesian group (estimated at 60 million). Incomes of the Chinese were, to be sure, higher on the average than those of the Indonesians, but they were merely a fraction compared to those of the European elite.

It is not the often remarkable financial astuteness and industry of the Chinese that must be called into question, but their failure to use their wealth and insight in making their minority an integrated social unit. There is much truth in the accusation that "the activity of the Chinese is too much directed toward the best-paid enterprises and not enough attention is paid to the harmonious development of the Chinese community." The accumulated wealth may well be a hindrance to social assimilation, strengthening a sense of impregnability and certainty, often so deeply desired by a minority group. The writer has found that in the remote rural areas of Indonesia the relatively poor and solitary trader or shopkeeper is a far more accepted figure in society than is the opulent head of a corporation in the cities. Indeed, genuine affection for what is called, in literal translation, the "mountain Chinese"—those living in the interior—is not a rarity.

In brief, the two major reasons why the economic life of the Chinese in Indonesia constitutes an impediment to their assimila-

tion are, first, the structure of the Indonesian economy and the peculiar place in it that the Chinese have been historically forced to take; and second, the persistence of the economic aspects of Chinese familism, that is, the "exclusiveness" of Chinese enterprise. The small number of Indonesian middle-class entrepreneurs, the lack of indigenous capital, the average Indonesian's unfamiliarity with and even resistance to efficient business and production methods, the self-contained and exclusive character of the peasant society, and the favored position of European enterprise in the colonial period—all this meant that the Chinese, even though competent to enter into occupations other than trade and commerce, was relegated to a very confined field of operation, and that he had to find his resources within his own community in order to survive.

With the slow economic emancipation of the Indonesian in the present century, native resentment of entrenched Chinese interests could not but be aroused, a resentment that fostered Indonesian nationalism but also furthered a blind disregard for the valuable contribution the Chinese were making to the national economy and for their indispensable function in that economy. With discrimination and antagonism as harsh realities, and with the Indonesian commercial class still undeveloped, it is inevitable that the "clannishness" of Chinese business life has persisted, and that an interracial form of economic development has not materialized. Yet, to come full circle, the minority and family-centered business life of the Chinese, as is clear even to them, continues to arouse Indonesian suspicion and resentment over what is mistakenly regarded as their "preferred" position in the nation's economy.

### III

It is doubtful that a majority of the Chinese now in Indonesia have strong political beliefs, one way or another. Also it appears that the support given by the vocal minority to the new national government of China after the revolution of 1912, and now to the regime of Mao-Tse Tung, is often motivated most by a sense

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of pride in the renewed strength of the ancient land of origin, satisfying the ego of the member of an alien and often despised minority group far from home. This is not to say that the influence of the Chinese People's Republic on the political views of Indonesian Chinese today should be discounted; rather it is intended to place that influence in its proper setting, and to point out that political appeals and ideologies from China should be interpreted in terms of the minority tensions prevalent in Indonesia.

Before World War II, political life among the *peranakans* was channeled by three distinct organizations. The so-called "Sin Po group," deriving its name from the newspaper that was its chief medium of expression, represented the core of out-and-out Chinese nationalists, with sympathies also for Communism's rising star in China. It was not only among *peranakans* but also among *singkehs* that this organization had its followers, although the great majority of *singkeh* contract laborers had no interest in politics at home or abroad. In the 1930's the *Sin Po* group was not unsympathetic toward the aspirations of Indonesian nationalists.

The second group, the Partai Tiong Hwa Indonesia, founded in 1932, was oriented almost entirely toward younger *peranakan* intellectuals, and in a sense was an "assimilation" party, advocating the ultimate establishment of a self-governing Indonesia in which the Indo-Chinese would become citizens equal in rights to other population groups. Unlike the *Sin Po* group, it was willing to seek political representation and to collaborate closely with Indonesian nationalist groups in the Volksraad, the colonial representative body in Indonesia having advisory and limited legislative powers.

The third organization was the Chung Hua Hui, a group of moderates, predominantly conservative businessmen, who were primarily interested in protecting and advancing the interests of the Chinese as a minority, and were loyal to the colonial government. Chung Hua Hui did much useful work, especially in the fields of education and social welfare, but it was too much an organization of the "old school" Chinese to be very popular in the

decades before the war, and its position of leadership in the Volksraad, where it too had its representation, passed to the Partai Tiong Hwa Indonesia. In terms of popular support Chung Hua Hui was probably the least significant party among the Chinese.

During the Japanese occupation most Chinese were loyal either to China or to the colonial regime in exile. Although the Japanese office of Chinese affairs in Indonesia announced in 1942 that the Chinese were regarded as necessary and useful members of the Indonesian community, and although Japan at first fostered the Hua Ch'iao Tsung Hui, an association of Chinese collaborators, the Chinese soon realized that their very existence was being threatened by the Japanese. "Voluntary" gifts and high "registration" fees for necessary travel permits cut deeply into Chinese wealth, and by 1943 waves of arrests of suspected Chiang Kai Shek supporters began. Systematic looting of Chinese settlements started in 1944, and a spokesman of the Chung Hua Hui, with whom this writer talked in 1948, estimated that Chinese losses during this looting period amounted to over 50 million dollars.

With the end of the war and the proclamation of the Republic an even more difficult time began. Though Chinese leaders were included in some of the revolutionary cabinets, the Chinese had to endure nameless horrors at the hands of Indonesian extremists. Whole Chinese settlements, like the one near Tanggerang, were murdered, and gunplay and arson against the Chinese became the order of the day. The cause was not only the traditional distrust of and enmity toward the Chinese, but also the after-effects of Japanese training methods, coupled with severe social-psychological disturbances within the Indonesian masses.

Despite constructive efforts by the Chinese, who had made common cause with the revolutionaries, Indonesian suspicions and hatred did not abate until 1949. The situation was not improved by the intransigent stand taken by *Sin Po*, which on December 10, 1946, declared that 90 percent of the Chinese in the Indies preferred Chinese citizenship to Indonesian. The revolutionary government in Djokjakarta countered by emphasizing that abso-

lute loyalty of the Chinese to the Indonesian state was indispensable to the further wellbeing of the whole minority. Further difficulties arose in connection with various armed Chinese security forces, and also concerning the attitude of some wealthier Chinese who made no bones about their preference for a continuation of Dutch colonial rule.

With the sovereignty transfer in December 1949, the worst was over. In May 1948 a new and vigorous Chinese political party had been established, the Partai Demokrat Tionghoa Indonesia, wedded to the cause of national independence and plumping for an honorable and equal place for the Chinese in the new Republic. With the return of a measure of security, Chinese property was recovered and in some cases indemnified by the government. The various postwar political parties made it clear that they would not tolerate a further "exploitation" of the Indonesians by unscrupulous Chinese traders and lenders. Yet the Chinese were quietly able to resume most of their prewar economic position as a matter of course.

In the last four years the Chinese minority has seemed to become even more drawn toward affairs in China itself, where such important changes have been taking place. In a sense this redoubled interest reflects the great insecurity of the Indo-Chinese, and their hope that the Chinese government will more fully extend its protection to them. In this connection it is well to point out that Mao's People's Republic, after it consolidated its position on the Chinese mainland, showed great concern for the overseas Chinese, indeed even more than had the Kuomintang regime. *Peranakans* did not forget that in the dark days of the revolution, when they appealed for assistance to the Chiang government, most of their cries seemed to fall on deaf ears. With the establishment of the Red Chinese embassy in Indonesia, the "new" policy of active concern was greatly amplified. Perhaps for the first time since 1912, the *peranakans* found an open champion of their interests in Indonesia, in the form of the diplomatic representative of their original homeland.

How swiftly Red China's protective hand moves is well illustrated by the case of the recent land resettlement difficulties in Sumatra, which caused the fall of the Wilops cabinet. This problem involved Indonesian and immigrant Chinese squatters who had settled on the lush former estate lands of East Sumatra during the Japanese occupation. The Wilops government planned to give these estates back to their prewar Dutch owners, and to that end intended to move the squatters to other fields, paying them due compensation. Armed conflicts broke out when the squatters resisted, some Chinese were killed, and the Communists were quick to exploit the situation. In a matter of hours officials of the Red Chinese embassy were on the scene, and their stiff, heated protests, backed by Indonesian Communists and left-wing elements, were sufficient to cause the government to abandon the whole resettlement scheme for the time being, and later to tender its resignation. This speedy action made a great impression on the *peranakans*, as well as on the countless *singkehs*, many of them illegal immigrants from Malaya who had crossed over to eastern Sumatra.

That among these *singkehs* are former Communist insurgents, who have been battling the British in Malaya for years, need hardly be pointed out. But, characteristically, the Indonesian government appears to be doing little to halt this rush of restive and potentially subversive elements. The government has tried to limit the influx of excessive numbers of Chinese "diplomatic" officials, and has declared it is following an independent foreign policy, but in practice the influence of the Chinese People's Republic is stronger than ever—on Indonesian Communists no less than on the *peranakan* element. Since 1950 countless Red Chinese agents have been conducting an intensive "recruiting" campaign among the younger Indonesian *peranakans*. In 1952 the Peking government offered 2900 scholarships to overseas Chinese students, with promises of high administrative posts in China after graduation, and many Indonesian Chinese have taken advantage of the opportunities thus offered them. By this device Peking is

also able to get at the wealth of the Indo-Chinese: with sons held in China, requests for contributions from *peranakans* find a more favorable reception.

But while Red China's star is indubitably rising in the Indies, the majority of the *peranakans* still retain an attitude of cautious opportunism. A good example of this was the situation in Surabaya shortly after a new Chinese Consul-General had been appointed to Djakarta by the Peking government. Although almost every Chinese shop or establishment was flying the Chinese Communist flag in welcome, it was evident that a large proportion of the Chinese community was certainly not Communist. "Probably, however, even the non-Communists felt that their commercial and social interests would best be served by making a friendly gesture to the new consul." Something of the same attitude is apparent in the Chinese parents who continue to send their children to Communist-dominated private Chinese schools: fear of possible recriminations if they do not send them, coupled with a desire to give their children at least a smattering of traditional Chinese education. Nevertheless, few Chinese would deny that China's resurgence under Mao has benefited them, in terms of improved social status and greater care for their interests on the part of the Indonesian government. The point is that such improvements appear to come about at the cost of an even greater differentiation of the Chinese minority in Indonesian society.

Indonesia has tried to strengthen its relationship with Red China, by appointing an ambassador to Peking and by advocating that Red China be given a seat in the United Nations; it is also trying to make the status of its Chinese nationals less equivocal. The Foreign Affairs section of the Indonesian parliament has recently begun discussions of a draft bill to settle the dual citizenship problem of the Indo-Chinese, and details of the bill have been sent to Peking for consultation. Chinese law still declares that overseas Chinese and their descendants are Chinese nationals, regardless of their country of residence. In 1951, however, the Indonesian government provided for what was referred to as a

"passive" choice of citizenship by Chinese residents. During a two-year period, which has now expired, the Chinese were given the opportunity to choose either Indonesian or Chinese citizenship, and those who did not signify their wish to become Chinese citizens automatically became Indonesian nationals. It is not known how many Chinese have thus become Indonesian citizens automatically, but more than 70 percent is a good guess.

The very great majority of *peranakans*, for whom Chinese culture is becoming something learned out of a book, belong in Indonesia. There are many ways in which the Indonesian government could make them feel that they belong there, at the same time promoting that degree of national unity and social solidarity that its leaders are forever talking about. A more stringent supervision of the curriculum of private Chinese schools is one requirement. This would involve an elimination of all subversive influences and of all appeals to loyalty other than to Indonesia. It need by no means involve the end of instruction in the Chinese language or history, but the national language and national institutions should receive paramount attention. Also the government—if it truly values its oft-proclaimed "independent" foreign policy—should become far more relentless in its attitude toward Red Chinese infiltration, particularly as regards the *singkehs*.

On the other hand, through the Information Ministry, which can boast many achievements in its struggle for the formation of a national public opinion on the "rice roots" level, the government should make it known that the Chinese are entitled to the same opportunities as other *warga negara*. And it should at once use all its facilities to educate the populace in the knowledge that the Chinese are a useful and desirable element of the national society. Above all, it should encourage in the *peranakan* element itself a change of heart and mind regarding the country that is as much theirs by right of birth as it is that of any other race or ethnic group in the Indian archipelago.

## REJOINDER TO VOLKART

Dr. Edmund H. Volkart has recently commented in this magazine on an article of mine on W. I. Thomas published earlier in *Social Research*.<sup>1</sup> His first major objection focuses on my assertion that in all of Thomas' work there persisted a fundamental interest in the problem of social change. While admitting that Thomas was interested in social change, Volkart argues that a mere assertion of this fact is not particularly enlightening. But my analysis did not end with such an assertion: it proceeded to demonstrate that this problem was the fundamental, basic one in Thomas' work. Reinterpreting "fundamental" to mean "dominant," Volkart then states that social change was not the dominant problem at all, but social behavior. While it is not clear what Volkart means by "dominant," he seems to imply that the problem to which Thomas gave most of his time and energy and to which he made the greatest scientific contribution should be considered his dominant problem.

Undoubtedly it is true that Thomas occupied himself extensively with social behavior research. But this fact does not invalidate my assertion that Thomas' underlying, fundamental interest concerned the problem of social change. As is clearly shown in the early pages of the methodological note of *The Polish Peasant*, Thomas' interest in the process of social evolution made his scientific study of social behavior meaningful. He sought to improve the rational control of social reality in order that the rapidity of social evolution might benefit mankind. Even his last book, *Primitive Behavior* (1938), embodied this original interest in the process of social change, thereby offering evidence of two facts: that Thomas cast his scientific study of social behavior into the larger context of social change, and that this larger context—his fundamental problem—persisted in his thinking throughout his life.

Two other issues also demand clarification with respect to Dr. Volkart's first point. First, the question is raised as to how a thinker's "fundamental problem" can be determined. Certainly there is no one simple method that can be prescribed and utilized in all cases. Nor can quantification—mere measurement of the amount of research,

<sup>1</sup> Gisela J. Hinkle, "The 'Four Wishes' in Thomas' Theory of Social Change," in *Social Research*, vol. 19, no. 4 (December 1952) pp. 464-84; Edmund H. Volkart, "Some Aspects of the Theories of W. I. Thomas," *ibid.*, vol. 20, no. 3 (Autumn 1953) pp. 345-57.

writing, and attention given to various subjects—provide the answer. Since the problem is a qualitative one, the best approach to it will demand the use of both internal analysis—study of the man's writings, to discover whether he himself specifies a problem of which other problems are special aspects—and external analysis—study of the intellectual climate of the era in which the man lived and worked. In Thomas' case, he himself specified the problem of social change as the contextual one for his interest in scientific sociology; this problem is present in both his early and his later works, and it was shared by his intellectual contemporaries.

Secondly, Volkart takes my exposition to task for implying an essential difference between social change and social behavior. He himself considers the two categories interchangeable—although he contradicts himself when he admits that social change includes social behavior, while the latter does not coincide with the former. Given the problem of my paper, I was not primarily concerned with exploring terminological distinctions. I might say, nevertheless, that since social change and social behavior are both "social" they are obviously not mutually exclusive and disparate. But neither does it follow that they are synonymous and interchangeable. Thomas himself did not view them as identical categories. In *The Polish Peasant*, for example, he recognizes the existence of changes in systems of beliefs, in rules of behavior, in social reality, in social norms, and the like: "Every social process of real importance always includes a change of the norms themselves, *not alone of the activity* embraced by the norms. Tradition and custom, morality and religion, undergo an evolution that is more and more rapid . . ." (p. 10; italics mine). As long as the discussion concerns Thomas' work, one ought to admit Thomas' conceptual distinctions. Volkart interchanges the two concepts at will; the scientific acceptability of this is doubtful, since scientific concepts are a matter for general recognition within the discipline and not a matter for private definition.

Thus Volkart's first criticism of my paper seems to resolve itself into an assertion that Thomas' fundamental problem was social behavior and not social change. But is such a criticism at all meaningful when he then proceeds to define the two categories as interchangeable? Nor has he dislodged social change as the fundamental problem of Thomas' work. Thomas spent most of his time and effort on investigations of social behavior because epistemologically and methodologically only behavior was scientifically accessible to him. But he sought to determine the laws of behavior for a positive reason as well: because,

as he himself said, knowledge of the laws of behavior would permit greater and more rational control of social evolution.

Volkart's second criticism concerns my statement that Thomas consistently held a theory of social change that was based on internal dynamics. He contends that Thomas' theory of social behavior (which he uses interchangeably with social change) took into account both internal and external factors limiting human behavior.

I certainly never tried to demonstrate that Thomas did not consider both types of factors. My analysis was concerned rather with the process by which interaction between internal and external factors occurs. Thomas held that while man and his environment are in interaction and conflict—which result in social behavior and social change—the springs for action, the behavioral forces, which ultimately determine *how much* man will react and *in what direction*, are found within man: the dynamics and direction of social change come from within. He viewed social change as derived, in the final analysis, from man's reaction to the environment and not from the environment's reaction to man. Whether or not there are other more fruitful ways of looking at behavior is not the question at issue.

The third criticism of my paper that Volkart offers requires that a distinction be made between Thomas' methodology, which limited him to the study of observable behavior, and his theory or explanation of social change and social behavior. Volkart points out that Thomas' use of "the wishes" was not consistent, since in his earlier writing wishes referred to mechanisms, but in the later writings they were viewed as convenient constructs, as merely suggestive categories. My argument did not dispute this fact. Thomas altered his use of the wishes for methodological reasons; nevertheless his theory of social change still maintained, even in his last work, that men desire satisfactions—men possess goal-oriented tendencies—which may be variously and suggestively classified into types of wishes; and that the possession of these tendencies brings men into conflict with their environment and with themselves. Whether or not these goal-oriented tendencies are learned and real is unimportant, as long as they are held to exist and to function as the forces of behavior and change. The process whereby they function is essentially a dialectic one, like the Freudian theory of personal evolution. The given, inner tendencies are remolded by their conflict with each other and with the environment. Man is not merely purposive: his purposiveness also brings him into a struggle with himself and his environment.

Was Thomas clearly conscious of this theory? The answer is not

essential to the argument as long as he actually explained behavior as the result of such a process. Regardless of terminological changes, this idea can be found in his earlier and his later works. As I have already pointed out, Thomas posited the direction and force of action and change in the realm of the unobservable. Personal evolution and social change are initiated by man and not by the environment; man adapts to the environment and not vice versa.

Although the point of Volkart's final criticism is not completely clear, it seems to be that the relationships I established are probably true, but that Thomas had ideas similar to Freud's notion of "wish" long before Freudian theories were introduced to American social scientists. (Holt's book, incidentally, was published not in 1913 but in 1915.)

The quotation used by Volkart to indicate that Thomas had conceptualized wishes in 1905 should certainly be taken into account in a final evaluation of the case. It should be noted, however, that this statement was made some twenty years after the notion of the wishes was first published, that it was made in the context of a different argument, and that it was made with specific reference to the wish for security. Thomas had mentioned the "desire" for security in his *Source Book for Social Origins* and it is unclear whether his statement in 1938 was meant to stress the notion of "security" or of "wish" in the desire for security. The renaming of the desires as wishes that resulted from Thomas' reading of Holt's book is still strong evidence for my contention that there was an indirect Freudian influence.

My interpretation of the similarities between Freud and Thomas with respect to the "wish" concept was made with great care in order not to misrepresent the case. The crucial sociological question is not so much whether Thomas borrowed from Freud—which was never implied—but rather why the notion of "wish" as presented by Freud was so congenial to Thomas' notion of "desire." Sociologists no longer accept the idea that genius and invention are unique, since parallel inventions have been made so often in both the natural and the social sciences. An explanation of Thomas' replacement of the word "desire" by the word "wish" would lead into a field seldom explored by sociologists today, the history of ideas. By mentioning Thomas' and Freud's common philosophical predecessor, Nietzsche, I had hoped to suggest where answers to this question might be found, since the limits of my paper prevented me from examining the matter intensively.

In short, neither Volkart's arguments nor his evidence so far has in any way invalidated the major conclusions of my analysis: that the fundamental problem of Thomas' work was that of social change, and that his theory of social change rested ultimately on a mechanism of internal dynamics. It seems rather that Volkart attempted at several points to redefine my problem and to discredit my analysis for failing to present answers to his problems. This process leads him to conclude that my analysis is "unnecessarily narrow." It is certainly narrow for someone who is seeking answers to questions that I did not raise. It is unfortunate that there are still some critics who define a problem of their own choosing and take someone else to task for not supplying the answers.

GISELA J. HINKLE

## BOOK REVIEWS

HOSELITZ, BERT F., ed. *The Progress of Underdeveloped Areas*. Chicago: University of Chicago Press. 1952. x & 297 pp. \$4.75.

This volume, representing the proceedings of the Institute of the Norman Wait Harris Memorial Foundation held at the the University of Chicago, is an invaluable casebook for students of the rapidly enlarging subject of economic development. It contains sixteen contributions, with a preface by the editor. The contributions are arranged in three parts: "The Historical Approach to Economic Growth"; "Cultural Aspects of Economic Growth"; and "Problems of Economic Policy." In the first two parts the authors are, with one exception, members of the teaching profession; the third part is written (again with one exception) by practicing economists. The academic contributors are nearly all drawn from eastern universities; it is perhaps a little surprising that western, and above all southern, universities are not represented in such a discussion of economic development problems. Most of the writers are American, but an international flavor is added by contributions from a Lebanese economist, a Canadian, a United Nations official, and an attaché at the United States embassy in New Delhi.

The keynote of the volume is the need for cooperation among the different social sciences in explaining the phenomena of economic development. To this reviewer, an economist not familiar with the work being done in anthropology, sociology, and other branches of social science, it seems that the non-economist contributors show a surprising and welcome tendency to deal with straight economic issues, rather than confining themselves to their own specialties. This gives the volume added spice. I believe, perhaps heretically, that the "integrated social science research approach," so often asked for in this volume, has no real meaning or value except in so far as different social scientists deal with the same subject. Such common concern occurs in this volume much more often than the titles of the contributions might suggest. It is interesting to see the authors taking up and answering, to some extent, one another's arguments. The editor, one feels, deserves a substantial share of the credit for the added interest that this gives to the volume. In a piquant illustration of this free interplay of ideas, we find one contributor obliquely criticizing the title chosen for the volume as a whole, when he speaks of "our continuous use of the word 'progress' as a general over-all

*desideratum*, when we really mean moving towards the attainment of goals we determine as good on the basis of our experience."

It will be apparent from what has been said that the volume is eminently suitable as a reading requirement for more advanced students of development problems, after study of systematic textbooks. Like any collection, however, it presents special difficulties to a reviewer. The articles vary not only in length (from a six-page note to a thirty-page article) but also in intellectual depth. Nevertheless, the general quality is so high that it would be invidious to single out one or two contributions for comment, and therefore I shall indicate the range of subject matter and treatment by mentioning each article, however briefly, noting only that to me the outstanding contributions are those by Professors Viner and Gerschenkron (which the editor has wisely placed in key positions).

The volume begins brilliantly, with Alexander Gerschenkron's paper entitled, "Economic Backwardness in Historical Perspective." This deals with various developing European countries at a time when they were backward in relation to other European countries, and its *pièce de résistance* is Gerschenkron's discussion of industrial banking. Two interesting lines of thought are prompted by this contribution: the analogies and differences between European industrial banks and the present-day development corporations, particularly those in Latin America; and the indications that, during the most important period of European economic development, technology was much more in line with basic factor endowments than it is now. Gerschenkron also makes some interesting comments about the need for emotional motivation in economic development.

Robert Lamb's paper, "Political Elites and the Process of Economic Development," by drawing a contrast between the traditions of the US and those of the USSR, arrives at the conclusion that international development programming under UN auspices is needed. Although the paper contains a number of interesting details, this reviewer could not entirely follow the argument or understand the terminology. Oscar Handlin's contribution, "International Migration and the Acquisition of New Skills," gives illustrations drawn from American history of the way in which the pioneering skilled immigrant has tended to vanish, almost like Schumpeter's "original" pioneer. To my mind, however, the question remains to what extent the apparent disappearance of such groups has been due to the pull of superior jobs and social upgrading, rather than to displacement and social obsolescence. Part I is concluded by W. T. Easterbrook's

discussion, "State Control and Free Enterprise in their Impact on Economic Growth," in which he ascribes the role of the state in Canada to that country's political situation as the "smaller neighbor"; the Canadian stress on bigness, both in public and in private enterprise, appears, in his description, as a sort of Galbraithian concept of "countervailing power."

Ralph Linton opens Part II—the field of the non-economist—with "Cultural and Personality Factors Affecting Economic Growth." He provides an excellent illustration of what were defined, in a recent UN report entitled "Measures for Economic Development," as the preconditions of economic development. The reviewer would add, however, that fragmentation of land is caused not only by the institutions of inheritance but also by the absence of a money economy; where a money economy is lacking, the subdivision of property necessarily requires physical subdivision. Melville Herskovits, in "The Problems of Adapting Societies to New Tasks," deals with labor incentives and points out, quite rightly, that development projects must build on what makes sense to the people concerned; he cites, with telling effect, the different results of the Gezira scheme and the groundnut scheme.

Behind the cumbersome title, "Some Sources of the Vulnerability of the Structures of Relatively Nonindustrialized Societies to those of Highly Industrialized Societies," Marion Levy presents a stimulating discussion. Morris Opler, in "The Problem of Selective Culture Change," points out that economic growth is perhaps not the primary aim of underdeveloped countries. "The Interrelations Between Cultural Factors and the Acquisition of New Technical Skills," by Walter Goldschmidt, provides new illustrations of the general thesis that development should work with, and not against, the existing institutions of the countries concerned. And in the last paper in Part II, "The Appeal of Communism to the Underdeveloped Peoples," Morris Watnick confirms the thesis recently put forward by Eduard Heimann in this journal (vol. 19, September 1952, pp. 322-45) that in underdeveloped countries communism appeals more to the intelligentsia and technicians than to farmers and workers.

Part III opens with Jacob Viner's contribution, which should be compulsory reading for any student of economic development. Here the reviewer would venture only three critical comments. First, the choice between what Viner calls the sentimental and the aristocratic approaches to economic development can often be postponed in underdeveloped countries; for example, an improvement in primary edu-

cation may be at the same time "sentimental" and an essential first step in the creation of an "aristocratic" technician class. Second, though it is obvious that there must be no dogmatic predisposition to favor industrialization rather than agricultural improvement, the logic of "Engel's law" dictates that a shift in the employment structure away from agriculture must normally be associated with economic development. And third, this reviewer cannot accept the argument that reserving control over the allocation of foreign aid to the main donors of such aid is necessarily incompatible with channeling the aid through the United Nations. With these reservations, however, I was convinced and impressed by the breadth of vision displayed in this contribution.

Samuel Hayes of the State Department, writing about "Personality and Culture Problems of Point IV," includes a series of stimulating illustrations from the economic practician's casebook. One wonders, however, whether he does not a little overestimate the value of social-science guidance in changing the attitudes and motives of government officials, and some of the research projects he suggests seem a little far-fetched. Konrad Bekker, in "The Point IV Program of the United States," tries to discover criteria for development projects, in spite of the strictures against such an attempt recently expressed by A. E. Kahn of Cornell (in *Quarterly Journal of Economics*, February 1951). His economic judgment compels him, however, to "get away from simplistic contrasts," thus leaving his criteria somewhat high and dry. As between Viner's "sentimental" and "aristocratic" solutions, Bekker seems to come out squarely in favor of the aristocratic.

"Economic Development and Public Finance," by H. S. Bloch, brings out the difficulties of transferring fiscal techniques to new environments, and the close connection between fiscal systems on the one hand, and the social structure, as well as general development policies, on the other. George Hakim, in "Technical Aid from the Viewpoint of the Aid-receiving Countries," agrees with Viner that development, if it is to deserve the name of progress, must benefit the masses of the population. He provides an instructive list of the problems of receiving countries, and—an interesting point—tells the aid-giving countries not to shy away from "interference" in some cases.

Finally, Albert Hirschman, in an excellent article, "Effects of Industrialization on the Markets of Industrialized Countries," reminds us that some of the issues raised by Hakim are old problems, and that the attitude of industrialized to underdeveloped countries has

always been somewhat ambivalent. He thinks that the United States is exceptional in the degree to which she favors industrialization abroad, but on this subject there remain some doubts in my mind. Perhaps, however, these questions arise more from differences of expression and degree than from substantive differences of opinion.

The preface contributed by the editor, Bert F. Hoselitz, must not be forgotten. It is a plea for the crossing of lines between economics and anthropology in studying problems of economic development. The volume he has so well presided over is a vindication of this method of tackling the problems.

H. W. SINGER<sup>1</sup>

*United Nations*

STAMP, L. DUDLEY. *Africa: A Study in Tropical Development*. New York: John Wiley. 1953. vii & 568 pp. \$8.50.

In his book, *Land for Tomorrow* (reviewed in *Social Research*, December 1952), Professor Stamp demonstrated that the lands of the temperate zones can feed additional billions of people at a high standard of living. For lack of satisfactory information he could not calculate the potential of the world's tropical areas. In this book he tries to remedy some of the deficiencies in our knowledge by summarizing the available data regarding the development of Africa, the tropical continent par excellence, in their social, cultural, and political contexts.

The well-illustrated volume shows clearly that the total sum of information available today, and particularly the information on minerals, soils, and their utilization, is too scanty to permit even tentative conclusions regarding future development. For example, according to the author, the failure of the extensive British peanut-cultivation scheme in East Africa in 1949-50 "must be ascribed in large measure to a lack of accurate knowledge of soils and their behavior under new methods of cultivation" (p. 92). Since a high percentage of African soils is derived directly from the parent rock without transportation by water or wind, the grains of the soil tend to be angular in shape rather than round, as in the temperate zones. Although the Scottish engineer McAdam discovered in the eighteenth century that angular fragments of rock could be compacted easily into a durable road surface by simple pressure or

<sup>1</sup> Though the reviewer is a member of the United Nations Secretariat, this review represents his private opinions and does not necessarily reflect those of the United Nations Organization.

rolling, it was not realized until recently that modern agricultural machinery has the same compacting effect on most tropical African soils. The angular grains of the soil also ruin the steel discs of modern plows in a short time.

Mechanical cultivation of land is therefore ruled out over large parts of western, central, and eastern Africa. But "the bare foot of the African cultivator may tread with impunity on the soil . . . and there is no alternative yet to the African cultivator with his hoe," for "it becomes increasingly doubtful whether plowing is the right treatment for the soil" (p. 96). The author also believes that in large sections of Africa it is not feasible to replace the present method of shifting cultivation (from one patch of land to another) by permanent cultivation of the same area—a conclusion which indicates that the established pattern of limited utilization of the land may have to continue. Agricultural development is not a matter of transferring to native communities the methods of cultivation evolved in the temperate zones, but requires the creation of entirely new techniques based on African experience.

Crops, however, unlike methods of cultivation, have been successfully transferred from the European or the American economy. Other than millets, barley, and rice, most of the crops associated with the household economies of Africa today were originally introduced by slave traders at a few points along the coast. They were at first grown in plantations to supply food locally for the large numbers of slaves awaiting transportation overseas. But the cultivation of these crops, particularly corn (maize), peanuts (ground-nuts), manioc, and bananas, gradually spread inland without extraneous assistance, and the long-range effects of this development "have been as revolutionary as the introduction into the Americas . . . of such European animals as the horse or cattle, or such grains as wheat" (p. 14). Thus African civilizations are indeed capable of adjustment to radical changes, a fact that gives hope for future development.

As for the demographic aspect, Stamp observes that large parts of the continent—for example, in French Equatorial Africa—are so underpopulated that economic development is retarded by the insufficiency of labor for construction and other work. Other sections, in Nigeria, for example, are seriously overpopulated in view of the shifting cultivation methods used in agriculture. Good maps illustrate the resulting migrations, particularly the little-known movements from the dry savannahs of West Africa into southern West

Africa and the middle Nile valley. Unfortunately, little information is given about the political and economic effects of these migrations, which are an important factor in African development and are now causing convulsions in Nigeria, the Sudan, and central and southern Africa.

The book is primarily organized according to the political divisions of the continent. The fact that these divisions nowhere coincide with the geographic regions, such as river basins, causes serious problems of planning for development—in the Nile valley, for example, and on the wet coast of West Africa. The discussion of the continent by political units enables the reader, however, to observe differences in development which are due not to the natural endowments or characteristics of African civilizations but to the different attitudes and policies of the various colonial powers or the few local governments. Dr. Stamp's description of the many forms of political and economic development is the most compact available anywhere in the English language, yet the reviewer misses any personal comment by the author regarding the efficiency of these various forms of development in advancing or retarding the utilization of African resources. In view of the pressing nature of the problems of food supply, industrial development has been given relatively limited attention. Despite these deficiencies, the book makes a real contribution to our knowledge of the background of economic development in Africa, and thus in the major part of the tropical world.

ALEXANDER MELAMID

**GURIAN, WALDEMAR.** *Bolshevism: An Introduction to Soviet Communism.* Notre Dame: University of Notre Dame Press. 1952. ix & 189 pp. \$3.25.

Professor Gurian's short and succinct book is divided into three parts: first, Bolshevism as a social and political religion; second, the Soviet reality of Bolshevism; and third, Bolshevism as world power. From this outline the unique merit of the book can be seen: it presents Bolshevism as a pseudo-religion which has been incorporated into the political-social system of the Soviet Union and gives it the formidable driving power for the transformation of a huge country and a relentless assault on the outside world. In the general plan of the book it may perhaps be criticized that economic ideas and events are reduced to a rather subordinate place; but this is certainly preferable to the vast

preponderance usually given them on the strength of the misunderstanding that the economic interpretation of history, which underlies dialectical materialism, is itself an economic doctrine.

When it comes to details, however, this reviewer must confess that in several matters he is not unqualifiedly happy. The discussion of the Bolshevik religion—carried from the first part to many passages scattered throughout the later parts—is distinctly lacking in articulation and completeness. To call the belief in development a religion is not intelligible to the reader if it is not added that a process as strictly causal as natural law is here supposed to lead, of all things, to the solution once and for all of the moral problem of man. Nor is it clear why the goal of this development, the classless society, should solve that moral problem, unless it is explained that the egotistic distortion of man's moral perspective is supposedly overcome by the abolition of private ownership and the establishing of common ownership, because the latter teaches everybody the direct dependence of his own welfare on the welfare of everybody else in the worldwide division of labor. Nay, this insight is blocked by the author's seeming insistence that Marxist communism and the ascetic communism of Plato and the Acts of the Apostles have nothing in common. They do have in common the starting point, the doctrine that the rich man cannot enter the Kingdom of Heaven (Matthew 19:24) because his heart is where his treasure is (Matthew 6:21), although the Marxist answer to the problem is immediately refuted by the consideration that everybody has some such treasure (Matthew 19:25).

Nor, finally, does one see why the author should, from his starting point, arrive at the thesis represented by Hannah Arendt, that there is essentially "no difference" between Bolshevism on the one hand, Fascism and National Socialism on the other. That is correct only if one deliberately ignores the distinguishing features of rationalism in the one case, and of irrationalism or anti-rationalism in the other case. As the social sciences are being rechristened behavioral sciences these days, the idea is precisely that the dimension of history and the scholarly understanding of it are irrelevant, and that what exclusively matters are the external forms of behavior, as in natural science. Springing from totally different sources, Bolshevism and Fascism arrive at institutions in part similar, but are again led to different policies resulting from their sources: the farmer or manufacturer as such has nothing to fear from Fascism, and everything from Bolshevism. If aggressiveness alone were what matters, there would not be many distinctions left in history. Or does our author really deny that both the

Soviet rulers and the millions of their devoted followers are still driven by the power of secular messianism which has come down to them from Marx and Engels and uses the totalitarian institutions as its weapons? After all, this is precisely the author's thesis. Is it less true that the Soviet expansion spreads the industrial proletarian form of life because it is Russian expansionism which does this?

In the second and third chapters the reader will find many pertinent observations and penetrating insights, of which mention may be made of the remark that the tendencies toward the establishment of a permanent elite are thwarted by the general insecurity and instability as manifested in the periodic purges.

In a rapid survey, such as is offered in this book, different writers will occasionally differ on the choice of the material. The reviewer still prefers his own choice on some matters to that of the present author, and feels that for example the change of the Soviet attitude toward the family in the interest of a smoothly working industrial process would have deserved mention. Soviet internationalism is most clearly expressed in the very name of the USSR, which does not refer to any particular nationality and is an invitation to any newcomer in Soviet communism to join this United Nations on the other side of the revolution; the insistence on several votes in the UN for the various parts of the USSR is one consequence.

These critical observations are not meant to offset my initial emphasis on the unique merit of the book, which to this reviewer's knowledge stands out among monographs on communism in conveying an impression of this vast phenomenon in correct perspective and proportions. The usefulness of the book is further increased by fifty pages of skilfully selected illustrative material consisting of quotations from communist writings and documents.

EDUARD HEIMANN

FITZSIMONS, M. A. *The Foreign Policy of the British Labour Government, 1945-1951*. Notre Dame: University of Notre Dame Press. 1953. vi & 182 pp. \$3.25.

This book is an attempt to delineate the principal courses of action in foreign policy pursued by the British Labour government in the postwar period. The author develops a conception of historical continuity within which the Labour government's patterns of thought, approaches to alternatives, and ultimate decisions emerge as logical consequences of long-term dictates. Because of this, he

holds, there was a remarkable resemblance to the views of the Conservative opposition, and even agreement with them. Labour's foreign policy was, in fact, "Churchillian in its major lines." British foreign policy was therefore essentially bipartisan, and this primarily because of Ernest Bevin's ability to recognize the force of "circumstances and British interests." At the same time, Dr. Fitzsimons draws a sharp distinction between what he believes were two divergent sets of views within the Labour party; one held by those in the Labour government who were responsible for the formation and actual conduct of foreign affairs; the other held by Parliamentary back-benchers and by some of the constituent organizations of the Labour movement. The second group, according to the author, sought to foist on the Labour leadership a "socialist" approach to foreign policy that would have been unrealistic and "absurd."

Dr. Fitzsimons presents his multi-faceted theses within a chronological framework. Beginning with a review (which is all too brief) of Britain's declining position in world affairs in July 1945, when the Labour government took office, he discusses, in separate chapters, the progressive disintegration of the wartime "Big Three" unity; Britain's systematic and deliberate reduction of commitments and responsibilities in southeast Asia and the Mediterranean, and her unwilling loss of control over developments in the Middle East; the formulation of the European Recovery Program and the first proposals for Western European Union and the Atlantic Community; the political, economic, and military issues involved in establishing the numerous agencies of Western European cooperation and the North Atlantic Treaty Organization; and finally, the problems confronting the Labour government during its last year in office, including the outbreak and consequences of the Korean war, the nationalization and shutdown of the Iranian oil properties, and the dispute with Egypt over the Suez Canal and the Sudan. Each of these chapters is crammed with facts and examples—sometimes even to the point where it is difficult for one to see the forest for the trees.

The interlocking concepts developed in this slender volume will probably be subjected to considerable debate. There is a school of thought, for instance, which maintains that it is quite inaccurate to talk about a bipartisan Labour-Conservative foreign policy—that, on the contrary, Labour's actions in this field were a conscious "disavowal of the principle and the practice of a bi-partisan foreign policy" (Elaine Windrich, *British Labour's Foreign Policy*, 1952,

p. vii). And even if one grants, as this reviewer does, that the policies developed under the guidance of Bevin and Attlee were generally acceptable to Churchill and the Conservatives, does this necessarily mean that those policies fell within a pattern of historical continuity? Not, I submit, unless we apply that description to any policies directed toward maintaining and protecting British interests.

It is certain, as Dr. Fitzsimons takes pains to point out, that the external problems confronting Great Britain after World War II were radically different from any she had ever experienced before. She was still a power, with many and ramified world interests, but she was no longer a world power of the first magnitude. The center of gravity had shifted to the United States and the Soviet Union to such an extent that Attlee and Bevin could do little—or Churchill and Eden, for that matter—to change substantially the emphasis or direction of policies pursued by either of those nations. The resultant lines of British policy may have been essentially bipartisan, but they were not necessarily within the context of historical continuity.

It must also be recognized that bipartisanship in Great Britain, as in the United States, had certain limits. There were sharp and bitter disagreements over some major policies and their execution, and over many substantive details. Policy arguments took place, for example, over India, Burma, the Middle East, and negotiations with the United States (although not over the need to maintain a firm relationship with this country). As for arguments over details, though both major parties agreed, and still agree, that Britain must undertake expanded defense programs, they differed materially, and still do, as to the direction and degree of expansion. On this subject of defense there was even a sharp split within the Labour party itself. In discussing this issue the author overlooks almost completely the influence of Labour's domestic policies, which had a definitely "socialist" tinge, on its foreign policies.

Dr. Fitzsimons' book serves the very useful function of identifying clearly the principal lines of British foreign policy during the turbulent postwar years. In this it fills a need that is already urgent, despite the fact that the events are of the very recent past. It is his analyses that are open to criticism. But we may have to wait some years before the validity of his conclusions can be fully tested.

DAVID L. GLICKMAN

*New York City*

WILEY, MARGARET L. *The Subtle Knot: Creative Scepticism in Seventeenth-Century England*. Cambridge: Harvard University Press. 1952. 303 pp. \$5.

The ability shown by thinkers of the seventeenth century to remain within the church while still breathing the air of reason which came from scientists and philosophers on the outside has been the envy of many in our own age. It is natural, therefore, that twentieth-century scholars should attempt to learn the secret of this adjustment. T. S. Eliot finds it in the "unified sensibility" of that age, which could combine thought and feeling; Douglas Bush in "Christian humanism," which combined the best elements of the Christian and the humanist traditions. Miss Wiley has attempted to go beyond description and reveal the method by which men like John Donne and Sir Thomas Browne were able to satisfy both their religious and their intellectual strivings. She calls this method "creative scepticism." The first part of her book describes this scepticism, traces it to its classical sources, and defends it as a serious philosophy; the second (and major) part shows how such seventeenth-century thinkers as Donne, Browne, Baxter, Taylor, and Glanville used creative scepticism to save what was worth saving in religion without abandoning the "new philosophy."

This scepticism involves three main ideas. As a first step, it accepts the dualism of body and spirit as something that cannot be "explained away" by either a materialist or an idealist philosophy. Nor can man's dual nature be completely reconciled even by religious faith; as Donne put it in one of his sermons, between the spirit and the flesh "God hath perpetuated an everlasting war." The two strands of our being, therefore, are inextricably bound in a "subtle knot"—"that subtle knot which makes us man."

Unresolved dualism leads to the second step, "nescience," the admission that man's reason can never attain absolute truth. Thus far scepticism is completely negative; it can lead (and has often done so) to a complete scorn for man's reason and for truth itself. But the third step is not necessarily cynicism or fideism. Instead of being a cause for despair, man's inability to find ultimate answers can be a spur to continue the search, and a reminder that no truth, from whatever source, can be discarded. To the "creative sceptics" the limitation of man's reason meant that no doctrine, religious or scientific, could give him the whole truth. Therefore when they found a truth they did not enshrine it, but held it cautiously while continuing their search for the infinite number of fragments that

make up the "body of Osiris." This recognition of the diverse nature of truth served to keep seventeenth-century thinkers from falling into either theological or scientific dogmatism. Creative scepticism, Miss Wiley argues, gave them "a flexibility which veers to receive truth from whatever direction it blows."

At this point we might ask, "But from what other sources than science and reason can man expect to receive any truth?" Miss Wiley's answer is a bold one; but it is difficult to follow, and even somewhat beyond logic, as she herself admits. It is similar to the answer given by the Cambridge Platonists, like Cudworth and Henry More, who believed in a *recta ratio*, an "inner light" which could be reached not by logic but by the intuition of the pure soul. "Divinity," in the words of another Cambridge Platonist, is not a divine science, but a "Divine life . . . to be understood by a Spiritual sensation [rather] than by any Verbal description."

But, we might object, how are we ever to determine the validity of a "spiritual sensation" or an "inner light" if—by definition—it cannot be expressed in words? By the test of action, Miss Wiley replies. What is not capable of being proved intellectually is often proved in experience, she says, and quotes Scripture: "If any man will do his will, he shall know of the doctrine." And she makes us understand how in their life and thought these men of the seventeenth century, despite their difficulties in the matter of doctrine, were able to validate their religion in experience, if not in logic. In doing so they did not gain peace of mind or peace of soul; but peace was not what they desired, and they accepted the situation with characteristic dignity. "For in a troubled misery," says Donne, "Men are alwaies more Religious than in a secure peace."

This appeal from doctrine to morality is, of course, in keeping with the whole tendency of liberal Protestantism; and the appeal to experience rather than to abstract thinking places "creative scepticism" in the American philosophic tradition. The argument, however, still presents this basic difficulty: if the truths revealed by an "inner light" or a mystic exaltation are to be judged, in the last analysis, not in logical terms but on the basis of experience, then on what basis can we judge experience itself? If we cannot "know the doctrine," how can we "know the will"? Must we not have some criterion, conscious or unconscious, that will enable us to distinguish between what is right action and what is wrong?

But whether or not "creative scepticism" is tenable for our time, Miss Wiley's book leaves no doubt that it best explains the fierce

paradoxes of Donne, the tolerance and intellectual humility of Browne and Taylor, and the open, inquiring mind of Glanville. A philosophy that helped to produce such men certainly deserves a hearing, and Miss Wiley has presented it in a stimulating and forceful manner.

LAWRENCE W. HYMAN

*Brooklyn College*

PAYNE, ROBERT. *The Great God Pan: A Biography of the Tramp Played by Charles Chaplin*. New York: Hermitage House. 1952. xi & 301 pp. \$3.75.

If, in addition to presenting his findings, Mr. Payne had set forth how he went about looking for them, what methods of inquiry and measurement he used, by what first principles he guided his inquiry, and whether his results are really discoveries and not foregone conclusions, his book would have been a classic of social research, a model for apprentices and an achievement for masters to emulate. But in presenting only the goal of his journey, and not how he reached it, he lays his findings open to a challenge that might otherwise be irrelevant. I am not, however, concerned to elaborate such a challenge, only to point out one reason why it might be issued. My immediate response to his book is one of delight and admiration, by no means necessarily with assent, for both its matter and its manner.

Ostensibly, Mr. Payne's theme is the life and labor of Charles Chaplin. Actually, his theme is the spirit of comedy envisioned as the spirit of life and freedom. The figure of Charlie the Clown, created by Chaplin the capitalist-entrepreneur, is discussed as our own time's truest exemplification of this spirit, which has made its dangerous historic way from the "Great God Pan" through the mediaeval fools with their feasts, the clowns of the commedia dell' arte, Debureau and Grimaldi, the Dan Lenos of the English music halls, the Koshone "delight-makers" of the Indian cultures of Arizona and New Mexico. In arguing that Charlie embodies this spirit for modern times, Payne's persuasive power is not inconsiderable—by style and form if not by logic. He writes like a philosopher who is equally a poet and cultural anthropologist, seeking to understand the human predicament, with its laughter and tears, by means of the little tramp Charlie whose lineage goes back to Pan himself—"the character who is never a tramp, never a fool, but resembles most of all a god who has unaccountably found himself on this earth, and having concealed his godlike naked-

ness with the first clothes he was able to find and wandered unheedingly into the world's traffic, discovers that the world is completely inexplicable and obeys laws he will not even attempt to understand."

Because the predicament is inveterate and protean, man's infallible defense against it is the spirit of laughter. "It is possible that if we could see [the spirit of comedy] steadily for a moment, or thrust through some of the veils where it hides, we might find some of the reasons why it is worth while to be alive, for tragedy offers only the most excellent reasons why it would be better to be dead. There is a sense in which the genuine spirit of comedy is the lightning-flash which alone illuminates our down-at-heels world." Payne shows Charlie accomplishing this illumination all the way down his path, from the Essanay and Mutual slapstick through "Shoulder Arms," "City Lights," "Modern Times," "The Great Dictator," to "Monsieur Verdoux." This latter film reaches the utmost in illumination, for it lights up at the depths the ease and nearness of the ultimate evil—killing. "So Monsieur Verdoux, without committing any murders that we can believe in, concerned with the comedy of murder to the exclusion of the comedy of life, provides a sense of overwhelming menace. We shiver because we know that in our time murder is practiced in the real world with the same suavity, the same gentleness and the most exquisite good manners."

All this tells, and tells movingly, what Charlie means to Robert Payne; there is no reliable evidence that he means or can mean the same thing to Charles Chaplin. Payne's experience of Charlie is like the true believer's experience of the wafer when he takes communion: his beliefs provide the savor of the flesh and blood of salvation. That this is also the case with the priest who performs the sacerdotal task of administering communion is a non-sequitur. And so with the meaning of Charlie for Chaplin and the meaning of Charlie for the global audiences who buy the release of laughter which these films bring them: it is the communicant who must effect the meaningful transubstantiation. Payne is a most mystical and most devout communicant. If to Chaplin "it is a most desperate business being a clown," to Payne the clown-business brings an ikon "half god, half man, brother to St. Francis and the moon, the loveliest thing that ever graced the screen," who "exists in his own right like Don Quixote and all the great heroic archetypes"—all whose snuffles and shuffles and vulgarities are somehow cosmic symbols of the comic spirit, standing up against fortune and thumbing its nose at fate.

H. M. KALLEN

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ERVAND KOGBETLIANTZ (Visiting Professor)—mathematics.  
EUGEN KULLMANN (Visiting Professor)—philosophy.  
ADOLPH LOWE—economics.  
HENRY M. MAGID (Visiting Professor)—political philosophy.

WERNER MARX (Lecturer)—philosophy.  
CARL MAYER—sociology.  
ALEXANDER MELAMID (Lecturer)—economic geography.  
JULIE MEYER—labor problems.  
BORIS MIRKINE-GUETZÉVITCH (Visiting Professor)—political science.  
SIDNEY MORGENBESSER (Teaching Fellow)—philosophy.  
HANS NEISER—economics.  
PAUL NEURATH (Visiting Professor)—sociology.  
M. K. OPLER (Visiting Professor)—sociology, anthropology.  
SAUL K. PADOVER (Dean, School of Politics, New School for Social Research)—history and political science.  
LUIS RECASENS-SICHES (Visiting Professor)—political science.  
KURT RIEZLER (Professor Emeritus)—philosophy.  
IRVIN ROCK—psychology.  
ALBERT SALOMON—sociology.  
JANE SCHICK (Lecturer; Student Adviser)—psychology.  
RICHARD SCHULLER (Professor Emeritus)—economics.  
ALFRED SCHÜTZ—sociology, social psychology.  
HANS SIMONS (President, New School for Social Research; President, Institute of World Affairs)—political science, international relations.  
HANS W. SINGER (Visiting Professor)—economics.  
HANS SPEIER—sociology.\*  
HANS STAUDINGER (Dean; Chairman, Council of Research, Institute of World Affairs)—economics, business administration.  
ARTHUR L. SWIFT (Visiting Professor)—social psychology.  
HELMUT R. WAGNER (Teaching Fellow)—sociology.  
HANS WALLACH (Visiting Professor)—psychology.  
HOWARD B. WHITE—political science.  
FRIEDA WUNDERLICH—economics, labor problems.  
JULIUS WYLER—applied statistics.

\* On leave of absence.

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